Zurich Insurance Group

ZURICH®

Geschäftsbericht 2012

Über Zurich

Zurich ist ein führender Mehrspartenversicherer mit einem globalen Netzwerk von Tochtergesellschaften und Filialen. Rund 60’000 Mitarbeitende bieten eine umfassende Palette von Schaden- und Lebensversicherungsprodukten und -dienstleistungen für Privatkunden, kleine, mittlere und grosse Unternehmen einschliesslich multinationaler Konzerne in mehr als 170 Ländern an.

Inhalt

Titelbild
Strassenszene in São Paulo, Brasilien, wo Zurich hilft, die Nachfrage einer wachsenden Mittelschicht und eines aufstrebenden Unternehmenssektors nach Versicherungen zu befriedigen.

Auf den Seiten 346 bis 351 finden Sie die Bilanz und Erfolgsrechnung der Konzernrechnung und des statutarischen Einzelabschlusses der Holdinggesellschaft in deutscher Sprache.

Weitere Informationen über Zurich finden Sie auf:

www.zurich.com

Leistung im Überblick

Kennzahlen der Gruppe (ungeprüft)

in Millionen USD, für die per 31. Dezember abgeschlossenen Geschäftsjahre, sofern nicht anders ausgewiesen	2012	2011[1]	Veränderung[2]
Business Operating Profit	**4'075**	4'243	(4%)
Den Aktionären zurechenbarer Reingewinn, nach Steuern	**3'878**	3'750	3%
General Insurance – Bruttoprämien und Policengebühren	**35'610**	34'572	3%
Global Life – Bruttoprämien, Policengebühren und Beiträge mit Anlagecharakter	**30'259**	27'711	9%
Farmers Management Services – Managementgebühren und verbundene Erträge	**2'846**	2'767	3%
Farmers Re – Bruttoprämien und Policengebühren	**4'361**	3'529	24%
General Insurance – Business Operating Profit	**2'097**	2'247	(7%)
General Insurance – Schaden-Kosten-Satz (Combined Ratio)	**98,4%**	98,9%	0,5 pts
Global Life – Business Operating Profit	**1'338**	1'353	(1%)
Global Life – Jahresprämienäquivalent aus Neugeschäft (APE)	**4'030**[3]	3'992	1%
Global Life – Gewinnmarge aus Neugeschäft, nach Steuern (in % des APE)	**22,1%**[3]	24,5%	(2,5 pts)
Global Life – Wert des Neugeschäfts, nach Steuern	**890**[3]	980	(9%)
Farmers – Business Operating Profit	**1'414**	1'486	(5%)
Farmers Management Services – Bruttomanagementergebnis	**1'378**	1'333	3%
Farmers Management Services – Marge aus den verdienten Bruttoprämien, die von der Gruppe verwaltet werden	**7,3%**[4]	7,3%	–
Durchschnittliche Kapitalanlagen der Gruppe	**203'192**	196'788	3%
Ergebnis aus Kapitalanlagen der Gruppe, netto	**8'911**	9'367	(5%)
Anlagerendite aus Kapitalanlagen der Gruppe, netto[5]	**4,4%**	4,8%	(0,4 pts)
Gesamtrendite aus Kapitalanlagen der Gruppe (einschliesslich unrealisierter Gewinne und Verluste)[5]	**7,0%**	5,3%	1,7 pts
Den Aktionären zurechenbares Eigenkapital	**34'494**	31'484	10%
Swiss Solvency Test Quotient[6]	**178%**	183%	(5 pts)
Verwässerter Gewinn je Aktie (in CHF)	**24.66**	22.52	10%
Buchwert je Aktie (in CHF)	**214.79**	202.17	6%
Den Aktionären zurechenbare Eigenkapitalrendite ohne Vorzugspapiere (ROE)	**11,8%**	11,9%	(0,2 pts)
Den Aktionären zurechenbare Eigenkapitalrendite ohne Vorzugspapiere, basierend auf dem Business Operating Profit nach Steuern (BOPAT ROE)	**9,3%**	10,2%	(0,9 pts)

1 31. Dezember 2011 wurde angepasst (Restatement) wie in der Anhangsangabe 1 der Consolidated Financial Statements dargestellt.
2 Zahlen in Klammern stellen eine negative Veränderung dar.
3 Ohne Berücksichtigung des von Banco Santander S.A. übernommenen Versicherungsgeschäfts (Zurich Santander) oder der Übernahme von Zurich Insurance Malaysia Berhad (ZIMB).
4 Berechnet auf Basis von verdienten Bruttoprämien von USD 18,8 Mrd. bei den Farmers Exchanges, wobei die Rückerstattung von Prämien in Höhe von USD 74 Mio. infolge eines erwarteten Vergleichs in einem Rechtsstreit im Bundesstaat Texas nicht enthalten ist.
5 Basierend auf den durchschnittlichen Kapitalanlagen der Gruppe berechnet.
6 Kennzahlen per 1. Januar 2012 und 1. Juli 2012 werden auf Basis des internen Modells der Gruppe berechnet. Dieses unterliegt der Prüfung und Genehmigung der Schweizer Finanzmarktaufsicht (FINMA). Die SST-Solvenzquote per 1. Januar 2012 wurde nach der Prüfung des SST-Jahresberichts durch die FINMA angepasst.

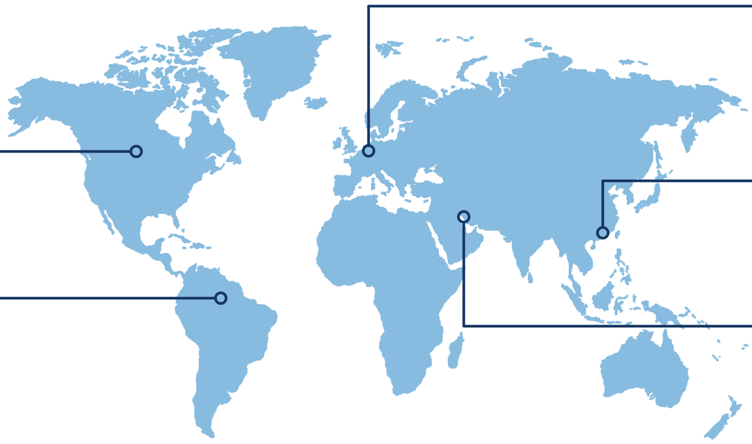
Operative Highlights

- Zurich Santander und Zurich Insurance Malaysia Berhad trugen zum Prämienwachstum der Segmente Schadenversicherung und Lebensversicherung bei
- Die Gruppe baute Vertriebsvereinbarungen mit Banken aus, durch Allianzen im Nahen Osten, in Italien, Spanien und Indonesien
- Die Farmers Exchanges[1] setzen in den USA ihre Expansion nach Osten fort und verstärken ihr Netzwerk aus exklusiven Agenten

1 Sämtliche Verweise auf «Farmers Exchanges» beziehen sich auf Farmers Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange sowie deren Tochtergesellschaften und verbundenen Unternehmen. Die drei Exchanges sind genossenschaftlich organisierte Versicherungen mit Sitz in Kalifornien. Sie sind Eigentum ihrer Versicherungsnehmer und stehen unter der Oberleitung ihrer Boards of Governors.

Zurich auf einen Blick

Wir verfolgen einen globalen Ansatz in Bezug auf unsere Ressourcen und Fähigkeiten. Wir verfügen über die nötige Flexibilität und Geschwindigkeit, um unser Produktangebot und unsere geografische Ausrichtung an die sich verändernden Marktbedingungen anzupassen. Durch globale Prozesse und Systeme können wir unsere Stärken bestmöglich nutzen.



Nordamerika
2012 feierte Zurich ihr 100-jähriges Bestehen als Versicherer in den USA.

Lateinamerika
Unser Joint-Venture mit Banco Santander S.A. 2011 stärkte unsere Präsenz in Lateinamerika.

Europa
Wir verfügen über grosse Betriebseinheiten in Deutschland, Italien, Spanien, der Schweiz und Grossbritannien sowie über eine bedeutende Präsenz in fünf weiteren Ländern.

Asien-Pazifik
Zurich verfügt über Betriebseinheiten in Australien, China, Hongkong, Indonesien, Japan, Malaysia, Singapur und Taiwan.

Naher Osten & Afrika
Wir sind in der gesamten Region tätig, wobei sich die wichtigsten Betriebseinheiten im Nahen Osten, in Südafrika, Marokko und der Türkei befinden.

Unsere Geschäftssegmente

General Insurance

Geschäftstätigkeit: Produkte und Dienstleistungen im Bereich Sach- und Unfallversicherung
Marktsegmente: Privatkunden, kleine und mittelständische Unternehmen sowie Grosskunden
Vertriebskanäle: Vertreter, Banken, Makler, Direkt
Geografische Ausrichtung: global

USD 2'097 Mio.
Betriebsgewinn (Business Operating Profit)

USD 35'610 Mio.
Bruttoprämien und Policengebühren

Global Life

Geschäftstätigkeit: Lebensversicherungen, Kapitalanlagen, Spar- und Vorsorgelösungen
Marktsegmente: Privatkunden, kleine und mittelständische Unternehmen sowie Grosskunden
Vertriebskanäle: Vertreter, Banken, Makler, Vorsorgeberater, Direkt
Geografische Ausrichtung: global

USD 1'338 Mio.
Betriebsgewinn (Business Operating Profit)

USD 30'259 Mio.
Bruttoprämien, Policengebühren und Beiträge mit Anlagecharakter

Farmers

Geschäftstätigkeit: Managementdienstleistungen in Bezug auf Sach- und Unfallversicherung
Marktsegmente der Farmers Exchanges[1]: Privatkunden, kleine und mittelständische Unternehmen
Vertriebskanäle der Farmers Exchanges[1]: Vertreter, Direkt
Geografische Ausrichtung: Vereinigte Staaten

[1] Sämtliche Verweise auf «Farmers Exchanges» beziehen sich auf Farmers Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange sowie deren Tochtergesellschaften und verbundenen Unternehmen. Die drei Exchanges sind genossenschaftlich organisierte Versicherungen mit Sitz in Kalifornien. Sie sind Eigentum ihrer Versicherungsnehmer und stehen unter der Oberleitung ihrer Boards of Governors.

USD 1'414 Mio.
Betriebsgewinn (Business Operating Profit)

USD 2'846 Mio.
Managementgebühren und verbundene Erträge

Kennzahlen

USD 4,1 Mrd.
Betriebsgewinn (Business Operating Profit)
(31. Dezember 2012)

178%
SST-Solvenzquote
(1. Juli 2012)

USD 34,5 Mrd.
Den Aktionären zurechenbares Eigenkapital
(31. Dezember 2012)

Strategie der Gruppe

Zurich ist ein profitabler, gut kapitalisierter und robuster globaler Versicherungsanbieter. Unser Erfolg basiert auf dem Engagement unserer Mitarbeitenden sowie einer Kombination aus Finanz- und Underwriting-Disziplin, Kundenorientierung und operativer Exzellenz. Doch um unsere Dynamik in einem zunehmend volatilen wirtschaftlichen und sozialen Umfeld beizubehalten, müssen wir noch mehr tun.

Die Strategie unserer Gruppe dient dazu, profitables Wachstum zu erzielen, indem wir die Stärke unseres globalen Unternehmens nutzen, unsere Ressourcen bestmöglich einsetzen und unseren Ruf als vertrauenswürdige Marke ausbauen. Diese Strategie basiert auf drei einfachen Konzepten: «Wer wir sind, was wir tun und wie wir es tun.»

Mehr über die Strategie unserer Gruppe erfahren Sie auf S. 8–9 dieses Geschäftsberichts.

Unsere Strategie

Wer wir sind

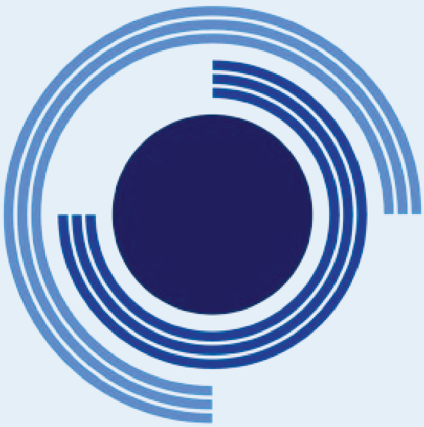
Die Geschichte von Zurich
Wir sind Zurich, ein global tätiges Unternehmen mit einer Mission, einem Ziel, gemeinsamen Werten und einer klar formulierten Verpflichtung gegenüber unseren Interessengruppen: unseren Kunden, unseren Mitarbeitenden, unseren Aktionären und der Gesellschaft, in der wir leben und arbeiten.

Was wir tun

Geschäftsportfolio
Ein langfristig profitables Portfolio aufbauen.

Kunden und Versicherungsvermittler
Noch kundenorientierter arbeiten.

Produkte und Dienstleistungen
Hervorragende Produkte und Dienstleistungen anbieten.



Wie wir es tun

Mitarbeiterführung
Die besten Mitarbeitenden gewinnen, halten und weiterentwickeln.

The Zurich Way
Durch gemeinsame Nutzung von Best Practices einen Wettbewerbsvorsprung erreichen.

Prozesse und Systeme
Unsere Prozesse und Systeme vereinfachen und verbessern.

~60’000
Mitarbeitende
(31. Dezember 2012)

170+
Länder
(31. Dezember 2012)

AA–/stable
Standard & Poor’s Finanzstärke-Rating für die Zürich Versicherungs-Gesellschaft AG
(31. Dezember 2012)

Brief des Verwaltungsratspräsidenten und des CEO

Dr. Josef Ackermann
und Martin Senn

Sehr geehrte Aktionärin, sehr geehrter Aktionär,

Wir freuen uns, Ihnen die Ergebnisse für das Jahr 2012 vorzustellen. Sie zeigen ein rentables Geschäft, basierend auf Preisdisziplin und fokussiertem Portfoliomanagement. Die vorgeschlagene Dividende von CHF 17.00 spiegelt das Vertrauen in unsere Strategie, sowie die gute Kapitalbasis des Unternehmens und seine Fähigkeit, liquiditätswirksamen Ertrag zu generieren.

Der Betriebsgewinn (Business Operating Profit, BOP) lag bei USD 4,1 Mrd., 4% tiefer als im Vorjahr. Der Reingewinn für das gesamte Geschäftsjahr betrug mit USD 3,9 Mrd. 3% mehr, und die operative Eigenkapitalrendite lag bei 9,3% gegenüber 10,2% im Jahr 2011.

Es freut uns, für 2012 einen guten Geschäftsgang ausweisen zu können, dies trotz schwierigem Marktumfeld, Sturm Sandy und einem enttäuschenden Resultat in unserem Schadenversicherungsgeschäft in Deutschland. Wir behalten unsere bewährte Strategie bei, unser Geschäft in Wachstumsmärkten diszipliniert auszudehnen und gleichzeitig verlässliche Leistungen in gesättigten Märkten zu erbringen.

Im Lauf des Jahres 2012 haben wir unsere Vertriebsvereinbarungen mit Banken weiter ausgebaut. Insbesondere wurden Allianzen im Nahen Osten, Italien, Spanien und Indonesien abgeschlossen. Besonders zufrieden sind wir mit der Leistung in den USA. Dort haben wir 2012 unser 100-jähriges Jubiläum gefeiert. Ebenfalls sehr erfolgreich waren wir mit der Integration unserer Zukäufe im Versicherungsgeschäft in den Wachstumsmärkten Lateinamerika und Malaysia.

Die Gruppe hat ihre Abschlüsse für 2010 und 2011 nach International Financial Reporting Standards (IFRS) angepasst (Restatement). Dies wurde für einen Teil der bereits mitgeteilten finanziellen Anpassungen im deutschen Schadensversicherungsgeschäft nötig, nachdem die 2012 eingeleitete Überprüfung ergeben hatte, dass unsachgemässe Praktiken in der Einzelschadenrückstellung zu Fehlern geführt hatten. Ausserdem waren aktivierte Abschlusskosten auf Grund eines Systemfehlers zu hoch bewertet. Insgesamt wurden diese Fehler als substanziell erachtet, was eine Anpassung notwendig macht. Dies hat zur Folge, dass der ursprünglich für das dritte Quartal 2012 mitgeteilte Betriebsgewinn um USD 264 Mio. und der Reingewinn um USD 194 Mio. höher ausgefallen sind, da die Fehler den entsprechenden früheren Perioden zugeordnet wurden. Das Eigenkapital per Ende 2012 ist nicht betroffen, während das Eigenkapital per Ende 2011 um USD 196 Mio. reduziert wurde. Mit diesen Anpassungen werden die Ergebnisse besser vergleichbar.

Schadenversicherung: Hohes Umsatzwachstum und robuste Profitabilität im laufenden Geschäft

Der Betriebsgewinn bei der Schadenversicherung (General Insurance) reduzierte sich um USD 150 Mio. auf USD 2,1 Mrd. Gleichwohl zeigte das laufende Geschäft eine hohe Ertragskraft und erzielte ein hohes Umsatzwachstum, was die Fokussierung des Schadenversicherungsgeschäfts auf diszipliniertes Underwriting und Kostenmanagement unterstreicht. Sichtbar ist diese Strategie auch in der Verbesserung der zugrunde liegenden Schadenquote von 2,9 Prozentpunkten auf 61,4%.

Der Betriebsgewinn wurde das zweite aufeinanderfolgende Jahr durch überdurchschnittliche katastrophen- und wetterbedingte Verluste, einschliesslich Sturm Sandy, beeinträchtigt. Dazu kommen die bereits früher mitgeteilten finanziellen

Anpassungen in Deutschland. Das Resultat der Analyse des Schadenversicherungsgeschäfts in Deutschland war ein zusätzlicher Anstieg von Rückstellungen für Forderungen in Höhe von rund USD 60 Mio. für die bereits im dritten Quartal betroffenen Geschäftsbereiche. Für andere Geschäftsbereiche wurden die Reserven um USD 70 Mio. verstärkt. Das deutsche Schadenversicherungssegment ist nun zu seiner normalen Geschäftstätigkeit zurückgekehrt. Das heisst, dass positive und negative Abweichungen vom künftig erwarteten Abwicklungsverlauf der Schadenreserven sich wieder die Waage halten sollten.

Im Schadenversicherungsgeschäft stiegen die Bruttoprämien und Policengebühren um USD 1 Mrd. auf USD 35,6 Mrd. In der Schadenversicherung wurde eine durchschnittliche Prämiensatzsteigerung von 4% erreicht. Dies spiegelt den Fokus auf selektives und rentables Wachstum bei gleichzeitig diszipliniertem Underwriting. Insgesamt gab es ein kräftiges Prämienwachstum, insbesondere in International Markets und in Nordamerika. Dies geschah durch organisches Wachstum ebenso wie durch Zukäufe. Dagegen zeigen die Ergebnisse in Europa noch immer die schwierige wirtschaftliche Situation in einigen der grösseren Märkte wie Grossbritannien, Spanien und Italien.

Lebensversicherung: Fortschritt bei strategischen Zielen

Das Lebensversicherungsgeschäft (Global Life) konnte die Profitabilität halten, während gleichzeitig das Volumen der Bruttoprämien, Policengebühren und Beiträge mit Anlagecharakter zulegte.

Der Betriebsgewinn im Segment Lebensversicherung blieb mit USD 1,3 Mrd. weitgehend unverändert. Das von Banco Santander S.A. erworbene Versicherungsgeschäft (Zurich Santander) hat einen positiven Beitrag von USD 105 Mio. beigesteuert. Dieser wurde allerdings zu einem grossen Teil durch geringere Sondereffekte kompensiert.

Die Bruttoprämien, Policengebühren und Beiträge mit Anlagecharakter stiegen als Resultat der Integration von Zurich Santander um USD 2,5 Mrd. auf USD 30,3 Mrd.

Der Wert des Neugeschäfts nach Steuern, einschliesslich Zurich Santander und Zurich Insurance Malaysia Berhad, stieg um 11% auf USD 1,1 Mrd. Zurich Santander und Zurich Insurance Malaysia Berhad trugen hierzu USD 195 Mio. bei, während sich ohne diese kürzlich getätigten Akquisitionen der Wert des Neugeschäfts nach Steuern um USD 90 Mio. auf USD 890 Mio. verringerte. Die Strategie der geografischen Diversifikation und der Verlagerung des Produktemix hin zu Vorsorge- und fondsgebundenen Angeboten bewährt sich. Sie kompensiert den Volumen- und Margendruck, den wir in Europa erleben.

Farmers: Beständige Erträge

Der Betriebsgewinn bei Farmers ist bedingt durch einen Verlust bei Farmers Re um 5% oder USD 72 Mio. auf USD 1,4 Mrd. zurückgegangen.

Der Betriebsgewinn bei Farmers Management Services stieg dank dem Anstieg der Bruttoprämien bei den Farmers Exchanges um USD 71 Mio. oder 5% auf USD 1,4 Mrd. Die Farmers Group, Inc., eine 100-prozentige Tochtergesellschaft von Zurich, erbringt Managementdienstleistungen für die Farmers Exchanges, ohne diese jedoch zu besitzen. Das Betriebsergebnis von Farmers Re verschlechterte sich um USD 142 Mio. und resultierte in einem Betriebsverlust von USD 26 Mio. Dies war hauptsächlich auf einen weniger positiven Abwicklungsverlauf aus Vorjahresreserven als in der Vorjahresperiode zurückzuführen.

Die Managementgebühren bei Farmers und andere damit verbundene Erträge stiegen dank einem Bruttoprämienanstieg von 3% bei den Farmers Exchanges um USD 79 Mio. oder 3% auf USD 2,8 Mrd. Die Steigerung der Bruttoprämien bei Farmers Re von 24% auf 4,4 Mrd. ist hauptsächlich auf Veränderungen gegenüber 2011 in der Allsparten-Rückversicherungsvereinbarung sowie das 3-prozentige Wachstum der Bruttoprämien in den Farmers Exchanges zurückzuführen.

Stärke und Engagement sorgen für eine nachhaltige und attraktive Dividende

Zurich zeigt weiterhin eine sehr gute Ertragskraft. Wir konnten unseren Umsatz steigern, indem wir unsere Position in den gesättigten Märkten verteidigten und gleichzeitig gezielt in Wachstumsmärkten diversifizierten. Die Erträge aus unseren Kapitalanlagen entwickelten sich sehr gut und haben 2012 eine Gesamtrendite von 7% eingebracht.

Trotz grosser wirtschaftlicher Unsicherheit auf der ganzen Welt konnten wir 2012 solide Ergebnisse erzielen. Wir sind stolz, so viele talentierte und engagierte Mitarbeiter zu haben, die sich jeden Tag neu dafür einsetzen, unseren Kunden Risiken verständlich zu machen und ihnen dabei helfen, sich vor diesen zu schützen. Wir sind unseren Kunden dankbar und sind uns bewusst, dass wir uns ihr Vertrauen verdienen müssen, indem wir Produkte und Dienstleistungen liefern, die ihren Bedürfnissen entsprechen. Und wir sind dankbar für die Unterstützung unserer Aktionärinnen und Aktionäre, die unsere Leistung anerkennen, in einem schwierigen Umfeld stabile und nachhaltige Erträge zu erwirtschaften.

Dr. Josef Ackermann
Präsident des Verwaltungsrats

Martin Senn
Chief Executive Officer

Marktumfeld

Als globaler Versicherer mit einer Präsenz in über 170 Ländern geht Zurich regulatorische, wirtschaftliche und operative Angelegenheiten aktiv an.

Zurich engagiert sich auf allen ihren Organisationsebenen, um auf diese regulatorischen, wirtschaftlichen und operativen Herausforderungen zu reagieren. Der Dialog mit politischen Entscheidungsträgern, Überwachungsorganen, Standardsetzern und Aufsichtsbehörden, wird kontinuierlich weitergeführt. Zurich ist zuversichtlich, dass sie alle Herausforderungen im besten Sinne ihrer Interessengruppen erfolgreich umsetzen wird.

Regulatorische Herausforderungen

Weltweit rufen Fragen zur Regulierung der Finanzmärkte Reaktionen von nationalen und internationalen Versicherungsaufsichtsbehörden hervor. Zurich verfolgt einen konstruktiven Ansatz und arbeitet bei der Entwicklung stabilerer Rahmenbedingungen eng mit den Aufsichtsbehörden zusammen. Die wesentlichen aktuellen staatlichen und regulatorischen Initiativen sind Antworten auf die Folgen der Finanzkrise und beinhalten:

Mögliche Einstufung als systemrelevanter Versicherer (Global Systemically Important Insurer, G-SII)

Verschiedene Finanzkonglomerate im Zentrum des Finanzsystems wurden aufgrund eines überhöhten Verschuldungsgrads und schwacher Risikomanagementfunktionen im Zuge der globalen Wirtschaftskrise stark geschädigt. In Reaktion auf das systemische Risiko durch den Ausfall grosser, miteinander verknüpfter Unternehmen entwickeln Aufsichtsbehörden nun Richtlinien, die eine ähnliche Situation verhindern sollen.

«Die wesentlichen aktuellen staatlichen und regulatorischen Initiativen sind Antworten auf die Folgen der Finanzkrise.»

Die International Association of Insurance Supervisors (IAIS) nimmt an einer weltweiten Initiative zur Identifizierung potenzieller G-SIIs teil, die im Fall von finanziellen Problemen oder einem unkontrollierten Ausfall aufgrund ihrer Grösse, Komplexität oder Querverbindungen eine erhebliche Störung des weltweiten Finanzsystems und der Wirtschaftstätigkeit verursachen würden.

Wenn ein Unternehmen als systemrelevanter Versicherer eingestuft wird, hat dies zusätzliche finanzielle und regulatorische Anforderungen zur Folge. Unternehmen, die in die Kategorie G-SII fallen, müssten möglicherweise ihr Eigenkapital erhöhen, um allfällige Verluste ausgleichen zu können, und formelle Sanierungs- und Abwicklungspläne einreichen. Sie müssten auch einen Vorschlag präsentieren, wie sie ihr systemisches Risiko mindern würden.

Nationale Haushaltsdefizite führen zu protektionistischen Gesetzen

In einigen Ländern führen hohe nationale Haushaltsdefizite zur Ergreifung von Massnahmen, die ausländische Marktteilnehmer mehr betreffen als lokale. Beispiele dafür sind die argentinischen Anlagebestimmungen und die brasilianischen Rückversicherungsvorschriften.

Der Versicherungsplan 2012–2020 des argentinischen Wirtschaftsministeriums sieht vor, dass in Argentinien tätige Versicherer bis zu 30% ihres Anlageportfolios in Instrumente investieren müssen, mit denen produktive und langfristige Projekte in Argentinien finanziert werden. In Brasilien verlangt eine 2011 eingeführte Vorschrift, dass 40% jedes Rückversicherungsgeschäfts bei einem lokalen Rückversicherer platziert werden müssen; zudem werden die Zessionen an ausländische Geschäftsstellen der eigenen Gruppe auf 20% jeder Platzierung beschränkt.

Verbraucherschutzgesetze sorgen für strengere Vorschriften

Seit Beginn der Finanzkrise im Jahr 2008 gibt es neue Bestrebungen, den Verbraucherschutz zu verbessern und den Vertrieb stärker zu regulieren. Zu einem gewissen Grad ist dies die Folge negativer Erfahrungen während der Krise, als Versicherungsnehmern angeblich «sichere» Produkte verkauft wurden, die zu Verlusten bei Renten und anderen Sparprodukten führten.

Ebenso grosse Auswirkungen hat die Schaffung neuer regulatorischer Strukturen in verschiedenen Ländern, etwa in Grossbritannien und in Italien. In diesen Ländern wird die Versicherungsaufsicht in die jeweilige Zentralbank eingegliedert und es wurde eine spezielle Behörde für den Verbraucherschutz gegründet. Diese Behörden müssen bei den Aufsichts- oder Solvenzerwägungen die Kosten, welche durch zusätzliche Schutzmassnahmen verursacht werden können, nicht berücksichtigen.

Spannungen zwischen globalen und lokalen regulatorischen Massnahmen

Globale Aufsichtsbehörden für Versicherungen verfolgen meist andere Ziele als lokale Behörden. Im Allgemeinen betrachten globale Aufsichtsbehörden den Zustand von Versicherungsunternehmen mit Blick auf die internationalen finanziellen Auswirkungen, während die lokalen Behörden ausschliesslich juristische Einheiten in ihrem Zuständigkeitsbereich überwachen, wobei sie sich auf unternehmensspezifische Governance-, Compliance- und Solvenzfragen konzentrieren. Dies kann für Zurich zu Spannungen zwischen den geschäftlichen Zielen des Konzerns und lokalen Vorgaben für die juristische Einheit führen. Die Entscheidungen zur Ressourcenzuteilung könnten beispielsweise beeinträchtigt werden, wenn freie Kapitalbewegungen eingeschränkt werden.

Wirtschaftlicher und marktbezogener Ausblick
Das weltweite wirtschaftliche Umfeld bietet 2013 zwar günstigere Aussichten als im Jahr 2012, doch bleiben Risiken eines Konjunkturrückgangs bestehen. Insgesamt werden verbesserte wirtschaftliche Aussichten erwartet, da die politische Unsicherheit abnimmt und die Regierungen sich wieder mehr auf Wachstum und weniger auf Sparmassnahmen konzentrieren. Das Wachstum wird vermutlich höher ausfallen als im Jahr 2012, bleibt aber vermutlich weiterhin unterdurchschnittlich, da Verbraucher und Finanzinstitute bei ihren Ausgaben bzw. bei den Krediten Zurückhaltung üben dürften.

In den letzten Monaten haben politische Entscheidungsträger begonnen, eine eher pragmatische Strategie bezüglich der aktuellen wirtschaftlichen Probleme zu verfolgen, und dies wird aller Wahrscheinlichkeit nach noch eine Zeit lang so bleiben. In der EU haben sich die Befürchtungen über einen Austritt Griechenlands aus der europäischen Währungsunion sowie hinsichtlich des Schuldendrucks in Spanien abgeschwächt, nachdem konjunkturfördernde Ziele an die Stelle rigider Vorgaben getreten sind. Zudem gibt es in den USA nach Kompromissen zwischen den Republikanern und Demokraten Fortschritte bezüglich des Haushaltsdefizits. Diese Tendenz gibt Anlegern langsam das Vertrauen zurück und fördert die Normalisierung auf den Märkten.

«Insgesamt werden verbesserte wirtschaftliche Aussichten erwartet, da die politische Unsicherheit abnimmt und die Regierungen sich wieder mehr auf Wachstum und weniger auf Sparmassnahmen konzentrieren.»

Dieser allmähliche Prozess der wirtschaftlichen Erholung dürfte das Umfeld für Risikoanlagen positiv beeinflussen, da die Anleger wieder Vertrauen gewinnen und an die Märkte zurückkehren. Aktien, Kredite und Staatsanleihen peripherer Länder werden mit grosser Wahrscheinlichkeit davon profitieren, während Staatsanleihen der Kernländer und traditionelle Safe-Haven-Anlagen eher Abflüsse verzeichnen werden. Die Inflation dürfte sich in Grenzen halten, da die Banken bei der Kreditvergabe weiterhin höhere Bonitätsstandards ansetzen. Darüber hinaus bleibt die Arbeitslosigkeit erhöht, sodass keine massiven Lohnerhöhungen zu erwarten sind.

Obwohl sich das wirtschaftliche Umfeld allmählich verbessert, bleibt Zurich wachsam gegenüber potenziellen Risiken, die das ordnungsgemässe Funktionieren der Kapitalmärkte beeinträchtigen könnten, und sie ist auf vielfältige Szenarien wie Liquiditätsengpässe, Wechselkurschwankungen und diesbezügliche Ansteckungseffekte vorbereitet.

Sicherheits- und Cyber-Risiko
Eine digital vernetzte Gesellschaft birgt für alle Unternehmen neue und sich ausweitende Gefahren. So stellen etwa Angriffe auf die IT-Infrastruktur und Cyber-Kriminalität eine konstante Bedrohung mit erheblichen Konsequenzen dar.

Verwaltungsräte und Konzernleitungen sind sich dieser durch eine Vielzahl von Faktoren bedingten Risiken bewusst, wie z. B. verlorene oder gestohlene Daten, Verletzung von Datenschutzgesetzen, Verletzung von Rechten an geistigem Eigentum, soziale Medien, Mobilgeräte und Cloud-Computing. Verletzungen des Datenschutzes bergen nicht nur die Gefahr eines Reputationsverlusts für Versicherer, sondern können auch Sanktionen von Seiten der Aufsichtsbehörden zur Folge haben.

Die Strategien zur Kontrolle dieser Risiken variieren zwar, doch führen immer mehr Unternehmen eine unternehmensweite – oder zumindest eine mehrere Abteilungen übergreifende – Strategie für die Datensicherheit und das Management von Haftungsrisiken aus Cyber-Kriminalität ein. Gerade bei diesen Risiken bilden Versicherungsprodukte bei immer mehr Unternehmen einen Bestandteil der Risikomanagementstrategie.

Für Zurich hat der Datenschutz oberste Priorität. Eine vollständige Datensicherheit kann zwar niemals garantiert werden, doch haben wir bedeutende Investitionen in robuste IT-Architekturlösungen getätigt, um Datenschutzverletzungen möglichst zu verhindern und unsere Systeminfrastruktur unter Anwendung hoher IT-Sicherheitsstandards zu warten.

Unsere Strategie

Unsere Strategie zielt darauf ab, profitables Wachstum zu erreichen, indem wir die Stärke unseres globalen Unternehmens nutzen.

Die nachstehenden strategischen Grundsätze fassen die Konzernstrategie von Zurich zusammen, nach der Zurich schon seit vielen Jahren arbeitet. Sie verdeutlicht unsere strategische Ausrichtung in Bezug auf alle unsere Interessengruppen und sorgt dafür, dass das gesamte Unternehmen ein gemeinsames Ziel verfolgt. Unsere Strategie basiert auf drei einfachen Konzepten: «Wer wir sind, was wir tun und wie wir es tun».

Wer wir sind

Zurich ist ein führender Mehrspartenversicherer mit einem globalen Netzwerk von Tochtergesellschaften und Filialen. Rund 60'000 Mitarbeitende bieten eine umfassende Palette von Schaden- und Lebensversicherungsprodukten und -dienstleistungen für Privatkunden, kleine, mittlere und grosse Unternehmen einschliesslich multinationaler Konzerne in mehr als 170 Ländern an.

Wir unterstützen unsere Kunden dabei, Risiken zu verstehen und sich gegen diese zu schützen. Unsere Ambition ist, der beste globale Versicherer für unsere Kunden, Mitarbeitenden und Aktionäre zu sein. Unsere Werte, die in unserem Verhaltenskodex, den Zurich Basics, verankert sind, bilden unsere Kultur und bestimmen unser Verhalten. Unsere Werte sind: Integrität, Kundenorientierung, Exzellenz, nachhaltige Wertschöpfung und Teamgeist.

Was wir tun

Wir möchten ein noch kundenorientierteres Unternehmen werden. Das bedeutet, dass wir uns auf ausgewählte Märkte und Kundensegmente konzentrieren, wettbewerbsfähige Lösungen anbieten und einen herausragenden Service für unsere Kunden erbringen müssen.

Ein langfristig profitables Portfolio aufbauen

Wir sind bestrebt,
- organisch zu wachsen, wo dies auf rentable Weise möglich ist;
- unsere Kapitalstärke zu nutzen und unsere Position durch gezielte Übernahmen, Joint-Ventures und Allianzen in gesättigten Märkten sowie zugänglichen Wachstumsmärkten weiter auszubauen.

Zu diesem Zweck erweitern wir unsere internen Fähigkeiten laufend, damit wir Gelegenheiten frühzeitig erkennen und ergreifen können.

Noch kundenorientierter arbeiten

Wir sind bestrebt,
- unser bestehendes Portfolio optimal zu bewirtschaften, indem wir Gelegenheiten für Cross-Selling nutzen und die Kundentreue ausbauen;
- zusätzliches Neugeschäft durch bessere Visibilität und Attraktivität für Kunden gewinnen.

Um dieses Ziel zu erreichen, verbessern wir unsere Service-Infrastruktur und führen neue Techniken ein, mit denen wir einen besseren Einblick in die Bedürfnisse unserer Kunden gewinnen.

Hervorragende Produkte und Dienstleistungen anbieten

Wir sind bestrebt,
- unser Angebot weiter auszubauen;
- attraktive Gelegenheiten zu erkennen und unsere Wertkette neu zu definieren.

Hierfür sind eine bessere Kundenorientierung bei der Produktentwicklung und die Ausrichtung unseres Angebots auf verschiedene Lebensphasen unserer Kunden nötig.

Wie wir es tun

Wir wissen, was nötig ist, um unsere Ziele zu erreichen. Wir benötigen die besten Fachleute der Branche und eine Kultur, die es ihnen ermöglicht, optimale Leistungen zu erbringen. Wir müssen Best Practices entwickeln und nutzen und die Transformation von Zurich in ein noch kundenorientierteres Unternehmen unterstützen.

Die besten Mitarbeitenden gewinnen, halten und weiterentwickeln

Wir sind bestrebt,
- branchenführend in Hinsicht auf unsere Mitarbeitenden zu sein, um die besten Talente zu gewinnen, zu halten und weiterzuentwickeln;
- eine Unternehmenskultur zu fördern, in der alle Mitarbeitenden Herausforderungen annehmen, motiviert sind und stolz darauf sind, ein Teil von Zurich zu sein.

Wir verfolgen diese Ziele mit einem weltweit einheitlichen Ansatz und achten darauf die Diversität am Arbeitsplatz zu verbessern.

Unsere Prozesse und Systeme vereinfachen und verbessern

Wir sind bestrebt,
- unsere Prozesse und Systeme zu aktualisieren oder neu zu definieren, um Komplexität zu reduzieren und besser auf Kundenerwartungen eingehen zu können;
- unsere technischen Fähigkeiten kontinuierlich zu verbessern, zentrale Dienste einzurichten und diese für neue Produktinitiativen zu nutzen.

Unsere zukünftige Prozessumgebung wird spezifische Kundenbedürfnisse erkennen und unsere globale Reichweite optimal nutzen können.

Wettbewerbsvorteile durch globale Kompetenzen schaffen

Wir sind bestrebt,
- ganz im ursprünglichen Sinne des «The Zurich Way» globale Kernkompetenzen zu identifizieren, zu verbessern und systematisch einzuführen;
- globale Standards für alle unsere Mitarbeitenden zu schaffen, die dafür stehen, wie wir bei Zurich arbeiten.

Wir entwickeln und initiieren globale Kompetenzen, die zu einheitlichen Arbeitspraktiken bei Zurich führen werden.

Corporate Responsibility: für Zurich eine strategische Wahl

Corporate Responsibility (CR) ist ein zentraler Bestandteil unserer Konzernstrategie. Dabei geht es um nachhaltige Wertschöpfung, einen unserer zentralen Werte, der auch in unserem Verhaltenskodex, den Zurich Basics, verankert ist. Wir wollen nachhaltigen Wert für alle unsere Interessengruppen schaffen, indem wir uns proaktiv wichtigen sozialen, Umwelt- und Governance-Fragen widmen.

Die Zurich Basics und unser Engagement für den United Nations Global Compact bilden das Fundament unserer CR-Strategie. Wir konzentrieren uns dabei auf Bereiche, die eng mit unseren Kernkompetenzen verbunden sind, damit wir unsere Expertise im Versicherungsbereich und dem Risikomanagement nutzen können, um einen weiteren Beitrag für die Gesellschaft zu leisten:

- Verbesserter Schutz vor Überschwemmungen
- Verantwortungsvolle Investition der Aktiven unserer Gruppe
- Zusammenarbeit mit unseren Kunden, um ihnen zu helfen, ihre CR-Risiken besser verstehen und kontrollieren zu können
- Investitionen in die Gemeinschaft über die Z Zurich Foundation
- Umwelt-, Gesundheits- und Sicherheitsmanagement in unseren Bürogebäuden
- Diversität und Integration unserer Mitarbeitenden
- Verantwortungsbewusstes Management der Lieferkette

Um die Einhaltung unserer CR-Strategie sicherzustellen, hat die Konzernleitung eine CR-Arbeitsgruppe eingerichtet, die Empfehlungen zu Strategie, Prioritäten und Zielsetzungen geben und unsere Performance überwachen soll. Unsere drei Geschäftssegmente und Schlüsselfunktionen wie Group Operations und Investment Management sind vertreten, damit sichergestellt ist, dass die CR ein integraler Bestandteil unseres Geschäfts ist. Den Vorsitz der CR-Arbeitsgruppe führt Kevin Hogan, CEO Global Life und Mitglied der Konzernleitung.

Weitere Informationen zur Corporate Responsibility bei Zurich finden Sie im Bericht über unsere Geschäftsentwicklung 2012, der unter www.zurich.com abgerufen werden kann, sowie im Abschnitt über Corporate Responsibility auf unserer Webseite (unter «About us»).

Dow Jones Sustainability Indexes

THE GLOBAL COMPACT WE SUPPORT

FTSE4Good

Unsere Strategie

Unsere Leistung messen

Neben den strategischen Zielen unserer Gruppe haben wir Ziele für jedes unserer Segmente festgelegt.

Strategische Ziele der Gruppe

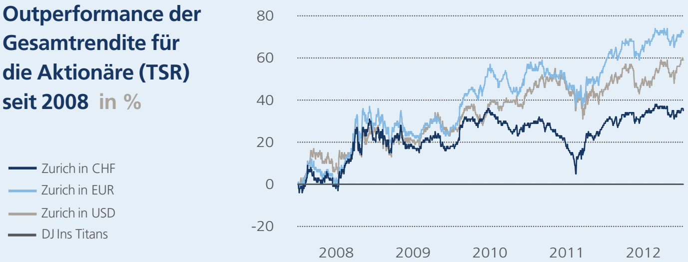
Zurich behält ihr strategisches Ziel bei, langfristig eine operative Eigenkapitalrendite nach Steuern von 16% zu erzielen. In der aktuellen Niedrigzinsphase ist eine Gesamtrendite von etwa zwei Prozentpunkten unterhalb dieser Zahl realistischer.

Attraktive Gesamtrendite für die Aktionäre (Total Shareholder Return – TSR)

Ziele pro Segment

General Insurance	• Verbesserung unseres Schaden-Kosten-Satzes (Combined Ratio) im Vergleich zu globalen Mitbewerbern um drei bis vier Prozentpunkte bis 2013 • Senkung der laufenden Kosten (Provisionen ausgenommen) um 7% oder mindestens USD 350 Mio. bis 2013 (enthalten im Gruppenziel von USD 500 Mio.) • Beibehaltung der Marktposition, ohne Kompromisse bei der Profitabilität einzugehen
Global Life	• Generierung von 30% des NBV in der Region Asien-Pazifik und Naher Osten (APME) sowie Lateinamerika • Position unter den fünf besten europäischen Versicherern, gemessen am Wert des Neugeschäfts (New Business Value – NBV) • Beitrag zum Cashflow und Eigenfinanzierung des organischen Wachstums
Farmers	• Beibehaltung des Top-Quartil-Wachstums unter den zwölf grössten amerikanischen Privatkundenversicherern • Fortgesetzte Steigerung von Marktanteilen für die Farmers Exchanges • Verbesserung der Kundenbindung um drei Prozentpunkte, was den Abstand zu den Hauptwettbewerbern im Privatkundengeschäft in den USA verringert
Gruppe	• Reduktion der laufenden Kosten um USD 500 Mio. in gesättigten Märkten bis Ende 2013 zur Stärkung unserer Position in Wachstumsmärkten

Performance	Kommentar
BOPAT-ROE 9,3% (2011: 10,2%)	• Die Rentabilität war auf die Segmente Lebensversicherung und Farmers sowie auf die starke zugrunde liegende Underwriting-Performance des Segments Schadenversicherung zurückzuführen.
Outperformance der Gesamtrendite für die Aktionäre (TSR) seit 2008 in %	• Zurich übertraf den Benchmark, den Global Insurance Titans Index, bei der Gesamtrendite für die Aktionäre (TSR) seit 2008 deutlich um etwa 37% in Schweizer Franken beziehungsweise 60% in US-Dollar und 74% in Euro.



Kennzahl	Kommentar
Schaden-Kosten-Satz (Combined Ratio) 98,4% (2011: 98,9%)	• Dem Segment Schadenversicherung ist es gelungen, im gesamten Portfolio weiterhin seine strategischen Ziele umzusetzen. Dabei wurde eine Verbesserung des zugrunde liegenden Schadensatzes erzielt.
Anteil des NBV aus der Region Asien-Pazifik und Naher Osten sowie Lateinamerika 25,2% (2011: 21,1%)	• Das Segment Lebensversicherung profitierte 2012 weiterhin von seiner Investition in organisches Wachstum in Zielmärkten. Einschliesslich der Übernahmen von Zurich Santander und Zurich Insurance Malaysia Berhad erreichte der Anteil am Wert des Neugeschäfts fast 40%.
Bruttoprämien der Farmers Exchanges USD 18'935 Mio. (2011: USD 18'297 Mio.)	• Dieser Anstieg war in erster Linie auf ein fortgesetztes Prämienwachstum in allen Sparten infolge laufender Massnahmen im Prämiensatzbereich zur Verbesserung der Rentabilität zurückzuführen.
Bisherige Kostenersparnis dank des Effizienzprogramms USD 200 Mio.	• Das Segment Schadenversicherung hat bislang den Grossteil der Einsparungen der Gruppe erzielt. Group Operations setzte zwei der grössten Outsourcing-Initiativen im IT-Bereich in der Versicherungsindustrie um. Ersparnisse aus Projekten zur Effizienzsteigerung im Segment Lebensversicherung werden voraussichtlich 2013 sichtbar.

Unsere Leistung

Durch die Umsetzung ihrer Strategie und die Konzentration auf das Kerngeschäft Versicherungen konnte die Gruppe starkes Wachstum erzielen und die zugrunde liegende Rentabilität verbessern.

Zurich erzielte solide Ergebnisse und generierte einen starken Cashflow; gleichzeitig hielt sie ihre starke Kapitalposition aufrecht. Dies erlaubt es dem Verwaltungsrat, eine attraktive Dividende von CHF 17.00 pro Aktie vorzuschlagen; damit bringt er auch das nachhaltige Engagement der Gruppe zur Schaffung von Shareholder Value zum Ausdruck.

Durch die Umsetzung ihrer Strategie und die Konzentration auf das Kerngeschäft Versicherungen konnte die Gruppe starkes Wachstum erzielen und die zugrunde liegende Rentabilität verbessern. Dies ist entscheidend für die Kompensation der niedrigeren Kapitalerträge, hervorgerufen durch das allgemein niedrige Zinsniveau.

Die verbesserte zugrunde liegende Rentabilität war auf Beiträge der Segmente Lebensversicherung (Global Life) und Farmers sowie auf die starke Performance im Underwriting des Segments Schadenversicherung (General Insurance) zurückzuführen. Insgesamt war das Ergebnis des Segments Schadenversicherung von überdurchschnittlich hohen Gross- und Katastrophenschäden und wetterbedingten Schäden betroffen, darunter auch die Schäden von Sturm Sandy. Zudem ergab die Überprüfung unserer Geschäfte in Deutschland einen Korrekturbedarf, der ebenfalls einen negativen Einfluss auf das Ergebnis hatte.

Der Betriebsgewinn (Business Operating Profit) ging um USD 169 Mio. bzw. 4% auf USD 4,1 Mrd. zurück. Der Reingewinn stieg um USD 128 Mio. bzw. 3% auf USD 3,9 Mrd.

Das Geschäftsvolumen aller Kerngeschäftssegmente, bestehend aus Bruttoprämien, Policengebühren, Beiträgen mit Anlagecharakter und Managementgebühren, erhöhte sich um USD 4,5 Mrd. bzw. 7% in US-Dollar auf USD 73,1 Mrd.

Die Ende 2011 erfolgten strategischen Akquisitionen sind nun in die Gruppe integriert, darunter Zurich Santander, welche USD 5,2 Mrd. zum Wachstum der Bruttoprämien und Beiträge mit Anlagecharakter sowie USD 165 Mio. zum Betriebsgewinn beitrug.

Die Eigenkapitalrendite (ROE) sank von 11,9% auf 11,8%, was in erster Linie auf die Erhöhung des den Aktionären zurechenbaren Eigenkapitals zurückzuführen war. Die auf dem Betriebsgewinn nach Steuern basierende annualisierte Eigenkapitalrendite (BOPAT ROE) von 9,3% ging um 0,9 Prozentpunkte zurück.

Der verwässerte Gewinn je Aktie stieg für das per 31. Dezember 2012 abgeschlossene Geschäftsjahr um 10% auf CHF 24.66 – verglichen mit CHF 22.52 für 2011. Der Anstieg des verwässerten Gewinns je Aktie um 10% im Vergleich zur Steigerung des den Aktionären zurechenbaren Gewinns um 3% war auf Währungsumrechnungseffekte zurückzuführen, da der US-Dollar gegenüber dem Schweizer Franken 2012 durchschnittlich stärker notierte als 2011.

Die Kapitalanlagen der Gruppe erhöhten sich seit dem 31. Dezember 2011 um USD 11,0 Mrd. bzw. 6% auf USD 208,7 Mrd. Zurich verfolgt weiterhin eine disziplinierte Strategie im Asset-Liability-Management und verringert Risiken, die keine ausreichende Rendite liefern. Die Qualität der Kapitalanlagen der Gruppe bleibt hoch. Investment-Grade-Papiere machen weiterhin 98% unserer verzinslichen Wertpapiere aus.

Kapitalkraft und Solvabilität der Gruppe sind weiterhin stark, nicht zuletzt dank dem ausgeprägten Fokus auf Risikomanagement bei den Anlage- und Underwriting-Strategien. Das den Aktionären zurechenbare Eigenkapital erhöhte sich seit dem 31. Dezember 2011 unter Berücksichtigung des Aufwands von USD 2,8 Mrd. für die im April 2012 bezahlten Dividenden um USD 3 Mrd. auf USD 34,5 Mrd.

Der Swiss Solvency Test (SST) ist seit 1. Januar 2011 vollumfänglich in Kraft und obligatorisch. Gemäss SST muss die Gruppe ein unternehmensspezifisches internes Modell zur Berechnung von Risiko- und Zielkapital anwenden und zweimal jährlich entsprechende Ergebnisse vorlegen. Per 1. Juli 2012 meldete die Gruppe auf Konzernbasis eine Solvenzquote von 178%, verglichen mit 183% per 1. Januar 2012. Das interne Modell unterliegt weiterhin der Prüfung und Genehmigung durch die FINMA.

General Insurance

Der Betriebsgewinn des Segments Schadenversicherung sank um USD 150 Mio. bzw. 7% auf USD 2,1 Mrd., was auf einen Rückgang der Kapitalerträge zurückzuführen ist; teilweise konnte dieser durch das verbesserte versicherungstechnische Ergebnis für eigene Rechnung kompensiert werden.

Das versicherungstechnische Ergebnis profitierte von einem verbesserten zugrunde liegenden Schadensatz, was jedoch teilweise kompensiert wurde: Zum einen durch eine weniger günstige Reserveentwicklung für Vorjahresschäden, was im Wesentlichen auf die Reserveerhöhungen in Deutschland für Sparten mit langer Abwicklungsdauer zurückzuführen ist. Zum anderen verzeichneten wir 2012 höhere Provisionsaufwendungen, da sich der Produktmix verschob hin zu Sparten mit höheren Provisionssätzen.

Die Bruttoprämien und Policengebühren im Segment Schadenversicherung stiegen vor allem aufgrund von Prämienerhöhungen um USD 1,0 Mrd. bzw. 3% auf USD 35,6 Mrd. Das Unternehmen konzentrierte sich weiterhin auf selektives und profitables Wachstum und konnte so das in allen Regionen günstige Prämienumfeld zur Erzielung einer durchschnittlichen Prämiensatzsteigerung von 4% nutzen.

«Die Kapitalkraft und Solvabilität der Gruppe bleiben stark und werden durch fortgesetzten Fokus auf Risikomanagement unterstützt.»

Im gesättigten nordamerikanischen Markt war weiterhin ein Prämienwachstum zu verzeichnen, das zum Teil auf Prämienanpassungen für Vorjahre zurückzuführen war, hierbei werden rückwirkend die ursprünglichen Schätzungen der versicherten Risiken den tatsächlichen Werten angepasst. Darüber hinaus haben sich sowohl die Kundenbindung als auch das Neugeschäft verbessert.

Im Bereich International Markets trugen – zusätzlich zum organischen Wachstum aus dem bestehenden Geschäft – Zurich Santander und Zurich Insurance Malaysia Berhad (ZIMB) zum Prämienwachstum bei. In Europa bleiben die Prämienvolumen infolge des Wirtschaftsumfelds in allen bedeutenden Märkten sowie aufgrund von Bemühungen zur Verbesserung des Gewinns in ausgewählten Portfolios wie beispielsweise dem Privatkundengeschäft im Bereich Motorfahrzeuge unter Druck.

Global Life

Der Betriebsgewinn des Segments Lebensversicherung blieb mit USD 1,3 Mrd. praktisch unverändert. Zurich Santander erzielte einen positiven Ergebnisbeitrag von USD 105 Mio. (ohne Minderheitsanteile und Auszahlungskosten). Dieser wurde durch einen Rückgang des Betriebsgewinn aus Europa, der in erster Linie durch einmalige Aufwendungen in Deutschland verursacht war, zum Grossteil aufgehoben.

Andere Ertragsquellen blieben insgesamt weitgehend unverändert, wobei verbesserten Risiko- und Kostenmargen aufgrund der Geschäftsverlagerung hin zu Vorsorgeschutz- und fondsgebundenen Produkten ein Rückgang der Anlagemarge infolge niedriger Anlagerenditen gegenüberstand.

Die Bruttoprämien, Policengebühren und Beiträge mit Anlagecharakter im Segment Lebensversicherung erhöhten sich um USD 2,5 Mrd. bzw. 9% auf USD 30,3 Mrd., was in erster Linie auf den Beitrag von Zurich Santander sowie höhere Volumen bei den Produkten mit Einmalprämien von Corporate Life & Pensions und Private Client Banking Solutions zurückzuführen war. Rückläufig war das Geschäftsvolumen in Spanien, wo der Produktemix sich weiterhin weg von Sparprodukten hin zum rentableren Vorsorgeschutzgeschäft verlagerte.

Farmers

Der Betriebsgewinn von Farmers sank um USD 72 Mio. bzw. 5% auf USD 1,4 Mrd., was primär auf einen versicherungstechnischen Verlust bei Farmers Re zurückzuführen ist.

Dank höheren verdienten Prämien bei den Farmers Exchanges stieg der Betriebsgewinn von Farmers Management Services um USD 71 Mio. bzw. 5% auf USD 1,4 Mrd. Für die Farmers Exchanges erbringt die Farmers Group, Inc., eine 100-prozentige Tochtergesellschaft von Zurich, Managementdienstleistungen, ohne diese jedoch zu besitzen.

Der Betriebsgewinn von Farmers Re verschlechterte sich um USD 142 Mio. auf einen Verlust von USD 26 Mio. Im Vergleich zu 2011 blieb die günstige Entwicklung von in früheren Jahren gebildeten Rückstellungen aus und die wetterbedingten Schäden blieben im historischen Vergleich sehr hoch. Der zugrunde liegende Schadensatz verzeichnete im Jahresvergleich eine Verbesserung.

Die Managementgebühren und damit verbundenen Erträge der Farmers Management Services stiegen um USD 79 Mio. bzw. 3% auf USD 2,8 Mrd., in erster Linie dank einer Zunahme der verdienten Bruttoprämien um 3% bei den Farmers Exchanges.

Die Zunahme der Bruttoprämien bei Farmers Re um 24% auf USD 4,4 Mrd. spiegelte die Erhöhung der Anteilsquote im All-Lines-Rückversicherungsvertrag mit den Farmers Exchanges (All-Lines-Vertrag) sowie das Wachstum der verbuchten Bruttoprämien bei den Farmers Exchanges.

Diese erhöhten sich um USD 637 Mio. bzw. 3% auf USD 18,9 Mrd. Dazu beigetragen haben in erster Linie die in allen Sparten zur Verbesserung der Rentabilität weitergeführten Prämienerhöhungen, die gleichzeitig zu einem kleinen Rückgang der Anzahl Policen führten.

Governance

In diesem Kapitel

Bericht über die Corporate Governance

Gute Corporate Governance hilft Zurich, nachhaltige Wertschöpfung für ihre Aktionäre, Kunden, Mitarbeitenden und weitere Interessengruppen zu schaffen.

Der Bericht über die Corporate Governance beschreibt die Strukturen, Regeln und Prozesse, die wir eingeführt haben, um eine effektive Governance durch den Verwaltungsrat und die Konzernleitung von Zurich zu ermöglichen. Zudem informiert er über die Arbeit des Verwaltungsrats und seiner Ausschüsse.

Inhalt

Einführung

Die Zurich Insurance Group, die aus Zurich Insurance Group AG und deren Tochtergesellschaften besteht (die «Gruppe» oder «Zurich») ist bestrebt, zum Wohl ihrer Aktionäre, Kunden, Mitarbeitenden und weiterer Stakeholder-Gruppen eine effiziente Governance zu gewährleisten, die auf Fairness, Transparenz und Verantwortlichkeit basiert. Die Strukturen, Regeln und Betriebsabläufe bei Zurich sind im Hinblick auf eine geeignete Unternehmensorganisation und ein entsprechendes Geschäftsverhalten sowie auf eine klare Festlegung der Befugnisse und Verantwortlichkeiten der Organe und Mitarbeitenden ausgestaltet.

Der vorliegende Bericht beschreibt die Praxis der Gruppe im Bereich Corporate Governance und veranschaulicht die für Zurich wichtigsten Elemente der Corporate Governance. Er enthält die erforderlichen Angaben gemäss den folgenden Vorschriften:

- Richtlinie betreffend Informationen zur Corporate Governance der SIX Swiss Exchange (vom 29. Oktober 2008, Stand 1. Juli 2009).
- Der von der economiesuisse 2002 veröffentlichte und im Oktober 2007 angepasste Swiss Code of Best Practice for Corporate Governance.
- Die Gruppe veröffentlicht weiterhin eine Erklärung zum Risikomanagement und zur internen Kontrolle (siehe S. 54 und 55) entsprechend der Richtlinie «Internal Control: Revised Guidance to Directors on the UK Corporate Governance Code» (vormals bekannt als britische Turnbull-Richtlinie) vom Oktober 2005.

Zurich Insurance Group AG ist an der Schweizer Börse SIX Swiss Exchange kotiert. Des Weiteren sind Schuldverschreibungen im Rahmen des Euro-Medium-Term-Note-Programms und andere Finanzinstrumente verschiedener Gruppengesellschaften kotiert.

Die Zurich Insurance Group war seit April 2001 unter der Gruppenaufsicht der Eidgenössischen Finanzmarktaufsicht (FINMA) und des Bundesamtes für Privatversicherungen als Vorgängerbehörde. Mit Verfügung vom 28. Dezember 2011 hat die FINMA erklärt, dass Zurich nach Artikel 64 ff. des Versicherungsaufsichtsgesetzes (VAG) der Versicherungsgruppenaufsicht untersteht und nicht mehr als Konglomerat zu qualifizieren ist. Darüber hinaus hat auch der Gemeinsame Ausschuss der Europäischen Aufsichtsbehörden die Gruppe angesichts ihrer geringen nicht-versicherungsbezogenen Aktivitäten von einem Versicherungskonglomerat in eine Versicherungsgruppe umbenannt. Das VAG verpflichtet schweizerische Versicherungsgesellschaften und -gruppen zu einer robusten Governance, zu Risikomanagementverfahren sowie zur Einrichtung und Aufrechterhaltung effektiver interner Kontrollsysteme, die im Hinblick auf die Geschäftsaktivitäten angemessen sind. Ausserdem muss gemäss VAG eine risikobasierte Solvabilität sowohl auf Ebene der Gruppe als auch auf Ebene der Tochtergesellschaften gemäss dem Swiss Solvency Test und auch eine Solvabilität nach Solvency I ausgewiesen werden (diese wird im Falle einer Anerkennung der Gleichwertigkeit der schweizerischen Versicherungsaufsicht mit Solvency II wahrscheinlich wegfallen). Die Berichterstattung über alle wichtigen gruppeninternen Transaktionen ist auch Bestandteil der schweizerischen Gruppenaufsicht. Neben der von der FINMA durchgeführten Gruppenaufsicht sowie der Aufsicht über die Zürich Versicherungs-Gesellschaft AG und die Zürich Lebensversicherungs-Gesellschaft AG werden die Versicherungs- und Finanzdienstleistungstochtergesellschaften der Gruppe von den relevanten lokalen Finanzmarktaufsichtsbehörden beaufsichtigt.

Die oben beschriebenen Standards und Prinzipien der Corporate Governance finden sich in zahlreichen Dokumenten, insbesondere in den Statuten, dem Organisationsreglement und den Regularien der Verwaltungsratsausschüsse. Der Governance- und Nominationsausschuss, der die Corporate Governance der Gruppe überwacht, vergleicht diese regelmässig mit Best-Practice-Standards und stellt die Einhaltung der Corporate-Governance-Bestimmungen sicher.

Es besteht eine gut funktionierende Unternehmensstruktur, die die Zusammenarbeit zwischen dem Verwaltungsrat der Zurich Insurance Group AG, der Konzernleitung und internen Kontrollorganen unterstützt. Diese Struktur gewährleistet Kontrollmechanismen und zugleich die institutionelle Unabhängigkeit des Verwaltungsrats vom Group Chief Executive Officer (CEO) und von der Konzernleitung (Group Executive Committee – GEC), die für die Führung der Gruppe im täglichen Geschäft verantwortlich sind. Im Verwaltungsrat der Zurich Insurance Group AG sind nur Mitglieder vertreten, die vom Management unabhängig und nicht mit der Geschäftsführung betraut sind. Die Positionen von Verwaltungsratspräsident und CEO sind voneinander getrennt, wodurch eine Gewaltentrennung zwischen diesen Funktionen gewährleistet und die Unabhängigkeit des Verwaltungsrats sichergestellt wird.

Dieser Bericht folgt im Wesentlichen der in der Richtlinie für Informationen zur Corporate Governance der SIX Swiss Exchange empfohlenen Struktur. Das Kapitel über die Entschädigungen, Beteiligungen und Darlehen der Verwaltungsräte und der Mitglieder des GEC wird separat als «Vergütungsbericht» (siehe S. 56 bis 81) als Ergänzung zum Bericht über die Corporate Governance publiziert. Dieser Bericht enthält auch die Informationen, die laut dem von der FINMA am 21. Oktober 2009 veröffentlichten und am 1. Juni 2012 geänderten Rundschreiben 2010/1 «Mindeststandards für Vergütungssysteme bei Finanzinstituten», erforderlich sind.

Bericht über die Corporate Governance *fortgesetzt*

Wichtige Änderungen in der Corporate Governance im Jahr 2012 – auf einen Blick
per 31. Dezember 2012

Verwaltungsrat

Neuwahlen:
- Josef Ackermann, früherer Vizepräsident, zum Präsidenten gewählt[1]
- Tom de Swaan, früheres Mitglied, zum Vizepräsidenten gewählt[1]
- Alison Carnwath, neues Mitglied[2]
- Rafael del Pino, neues Mitglied[2]

Abgänge:
- Manfred Gentz, früherer Präsident
- Vernon Sankey, Mitglied und früherer Vorsitzender des Entschädigungsauschusses

Konzernleitung (Group Executive Committee – GEC)

Neuernennungen:
- Jeff Dailey, CEO Farmers Group, Inc
- Mike Kerner, CEO General Insurance
- Yannick Hausmann, Group General Counsel

Abgänge:
- Mario Greco, früherer CEO General Insurance
- Christian Orator, früherer Chief Administrative Officer

Sonstiges

- Vereinfachung der Organisationsstruktur am Hauptsitz:
  - die Funktion des Chief Administrative Officer (CAO) wurde abgeschafft
  - spezifische Verantwortungsbereiche dieser Funktion wurden in andere Funktionen integriert
- Ann Haugh wurde in die neue Position des Chief of Staff ernannt

[1] Gewählt vom Verwaltungsrat [2] Gewählt durch die Generalversammlung

Konzernstruktur und Aktionäre

Operative Konzernstruktur

Zurich Insurance Group AG ist die Holdinggesellschaft der Gruppe und eine Aktiengesellschaft nach schweizerischem Recht. In den letzten Jahren hat Zurich ihr Portfolio auf das Versicherungsgeschäft zugeschnitten. In Anerkennung dieser strategischen Ausrichtung wollte der Verwaltungsrat den Hinweis auf allgemeine Finanzdienstleistungen im Namen des Unternehmens ersetzen und dabei den Fokus auf die Versicherungstätigkeit betonen. Der Verwaltungsrat hat daher an der Generalversammlung, die am 29. März 2012 stattfand, vorgeschlagen, den Namen in Zurich Insurance Group AG zu ändern. Die Aktionäre stimmten diesem Namensvorschlag zu.

Operative Konzernstruktur
per 31. Dezember 2012

Kerngeschäftssegmente Regionen Nicht zum Kerngeschäft gehörende Segmente

*Für General Insurance schliesst dies Afrika ein

Die Gruppe verfolgt eine kundenorientierte Strategie und wird als eine auf Geschäftssegmenten und Regionen basierende Matrixorganisation geführt. An der Spitze der Konzernleitung steht der CEO. Die CEOs der Geschäftssegmente General Insurance, Global Life und Farmers sowie der Chief Financial Officer (CFO), der Chief Investment Officer (CIO), der Chief Risk Officer (CRO), der Group Head of Operations und der Group General Counsel sind Mitglieder der Konzernleitung. Die geografischen Regionen Europe, North America, Latin America und Asia-Pacific, Middle East and Africa werden durch Regional Chairmen vertreten, die sich auf Stakeholder-Management und die Geschäftsentwicklung in ihren Regionen konzentrieren. Die Regional Chairmen der Regionen Europe, North America und Asia-Pacific, Middle East and Africa sind aktuell Mitglieder der Konzernleitung. Weitere Informationen zur Konzernleitung finden Sie auf S. 40–48.

Die operativen Segmente der Gruppe wurden anhand der von der Gruppe betriebenen Geschäftsbereiche und deren strategischer Verwaltung, mit der verschiedene Produkte und Dienstleistungen bestimmten Kundengruppen angeboten werden, identifiziert. Die berichtspflichtigen Segmente der Gruppe sind folgende:

- Durch das Segment General Insurance bietet die Gruppe Privatpersonen sowie Kleinbetrieben und grossen Unternehmen eine Vielzahl von Produkten und Dienstleistungen in den Bereichen Motorfahrzeug-, Haushalts- und gewerbliche Versicherungen an.

- Das Segment Global Life verfolgt eine Strategie mit marktführenden Lösungen im Bereich der Unit-linked-, Vorsorge- und Firmenprodukte durch ein globales Vertriebs- und Angebotsmodell, um eine führende Position in den ausgewählten Märkten aufzubauen.

- Das Segment Farmers erbringt über Farmers Group, Inc. und ihre Tochtergesellschaften (FGI) nicht-schadenbezogene verbundene Managementdienstleistungen für die Farmers Exchanges. FGI erzielt Einnahmen durch die Erbringung von Dienstleistungen für die Farmers Exchanges, die von Farmers Group, Inc., einer 100-prozentigen Tochtergesellschaft der Gruppe, gemanagt werden, ohne diese jedoch zu besitzen. Dieses Segment umfasst auch alle Rückversicherungen, die die Gruppe von den Farmers Exchanges übernommen hat. Farmers Exchanges zeichnen vor allem Versicherungsverträge für Privatkunden und kleine Firmenkunden in den Vereinigten Staaten.

Bezüglich Finanzberichterstattung betrachtet die Gruppe die Geschäftssegmente General Insurance, Global Life und Farmers als ihre Kerngeschäftssegment. Nicht zum Kerngeschäft gehörende Geschäftssegmente sind:

- Other Operating Businesses besteht primär aus dem Hauptsitz der Gruppe und den Holding- und Finance-Aktivitäten der Gruppe. Bestimmte alternative Anlagepositionen, die nicht dem operativen Kernbereich zugeordnet sind, werden bei den Holding- und Finance-Aktivitäten geführt.

- Non-Core Businesses umfasst Versicherungsgeschäfte, die die Gruppe als nicht zum Kerngeschäft gehörend betrachtet und die vor allem im Hinblick auf eine rentable Abwicklung verwaltet werden. Zudem enthält Non-Core Businesses auch die verbleibenden Bankgeschäftsaktivitäten der Gruppe. Das Non-Core Business ist hauptsächlich in den Vereinigten Staaten, Bermuda, dem Vereinigten Königreich und Irland angesiedelt.

Auf der Sekundärebene wird das Geschäftssegment General Insurance auf Grundlage marktbasierter Geschäftseinheiten, wie Global Corporate, North America Commercial, Europe, Latin America und Asia-Pacific, Middle East and Africa geführt. Das Segment Global Life wird auf einer regional basierenden Struktur mit den Einheiten North America, Latin America, Europe und Asia-Pacific and Middle East innerhalb eines globalen Rahmens geführt.

Ein detaillierter Bericht zu den Ergebnissen der jeweiligen Geschäftssegmente im Jahr 2012 befindet sich im Operating and financial review der Gruppe ab S. 84. Weiter ist ein Überblick über die Aktivitäten und Stärken der Gruppe im Bericht zur Geschäftsentwicklung enthalten, der auch auf der Webseite von Zurich unter www.zurich.com (http://www.zurich.com/internet/main/sitecollectiondocuments/financial-reports/annual-review-2012-de.pdf) abrufbar ist.

Eine Aufstellung der wichtigsten Tochterunternehmen der Gruppe sowie weitere Informationen über kotierte, wichtige Tochterunternehmen finden sich auf S. 283–285. Weitere Informationen über die Kotierungen der Aktien der Zurich Insurance Group AG sind den Aktionärsinformationen auf S. 354–356 zu entnehmen.

Bericht über die Corporate Governance *fortgesetzt*

Bedeutende Aktionäre

Gemäss den Richtlinien zur Offenlegung bedeutender Beteiligungen an Schweizer Unternehmen mit Börsenkotierung in der Schweiz hat eine Offenlegung zu erfolgen, wenn gewisse Prozentwerte – beginnend mit der 3-Prozent-Schwelle – erreicht werden oder wenn die Beteiligung anschliessend diese Schwelle unterschreitet. Call-Optionen und andere Finanzinstrumente sind ebenfalls den Aktienbeteiligungen zuzurechnen, selbst wenn sie nur eine Barabgeltung ermöglichen. Nach dieser Regelung hat die Offenlegung für Kaufpositionen (inkl. Aktien, Long-Call-Optionen und Short-Put-Optionen) und Verkaufspositionen (inkl. Long-Put-Optionen und Short-Call-Optionen) separat zu erfolgen. Die Prozentschwellen berechnen sich ausgehend von den Stimmrechten gemäss Eintrag im Handelsregister.

Zurich Insurance Group AG ist verpflichtet, Aktienbeteiligungen Dritter zu melden, sobald die entsprechende Drittpartei mitteilt, dass ein bestimmter Schwellenwert erreicht wurde. 2012 wurde der Gruppe mehrmals von Drittparteien gemeldet, dass diese die Schwelle von 3 Prozent infolge eines Kaufs oder Verkaufs über- oder unterschritten hatten.

Zurich Insurance Group AG ist ausser BlackRock, Inc., New York, und Norges Bank, Oslo keine Person oder Institution bekannt, die als wirtschaftlich Berechtigte per 31. Dezember 2012 direkt oder indirekt mit Aktien, Optionsrechten und/oder Wandelrechten mehr als 3 Prozent der Aktien der Zurich Insurance Group AG hielt.

Die mit diesen Benachrichtigungen verbundenen Veröffentlichungen sind über die Suchfunktion auf der Plattform der Offenlegungsstelle der SIX Swiss Exchange abrufbar: http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_de.html.

Ferner sind Zurich Insurance Group AG per 31. Dezember 2012 keine Personen oder Institutionen bekannt, die direkt oder indirekt, gemeinsam oder allein, Kontrolle über Zurich Insurance Group AG ausübten oder aufgrund einer Vereinbarung ausüben konnten.

Übersicht über die Aktionärsstruktur

Anzahl gehaltener Aktien

per 31. Dezember 2012	Anzahl eingetragener Aktionäre	% des eingetragenen Aktienkapitals
1–500	115'700	13,1
501–1'000	4'750	3,8
1'001–10'000	3'942	10,7
10'001–100'000	376	11,8
100'001+	79	60,6
Gesamtzahl Namenaktien	124'847	100,0

Eingetragene Aktionäre nach Typ

per 31. Dezember 2012	Eingetragene Aktionäre in %	Namenaktien in %
Private Aktionäre	95,5	24,7
Juristische Personen	3,8	26,2
Nominees, Treuhänder	0,7	49,1
Gesamt	**100,0**	**100,0**

Eingetragene Aktionäre nach Region

per 31. Dezember 2012	Eingetragene Aktionäre in %	Namenaktien in %
Schweiz	93,3	43,3
Grossbritannien	1,5	30,0
Nordamerika	0,9	11,9
Asien	0,2	1,1
Latin America	0,1	0,1
Lateinamerika	4,0	13,6

Kreuzbeteiligungen
Zurich Insurance Group AG verfügt über keinerlei Kreuzbeteiligungen, die 5 Prozent der Stimmrechte auf beiden Seiten übersteigen.

Kapitalstruktur
Aktienkapital
Per 31. Dezember 2012 betrug das ordentliche Aktienkapital der Zurich Insurance Group AG CHF 14’830’012.30, aufgeteilt in 148’300’123 voll liberierte Namenaktien mit einem Nennwert von je CHF 0.10. Der Verwaltungsrat wird den Aktionären anlässlich der ordentlichen Generalversammlung vom 4. April 2013 eine Dividende von CHF 17.00 je Aktie vorschlagen. Da die diesjährige Dividendenzahlung aus den Reserven aus Kapitaleinlagen geleistet werden soll, ist sie in der Schweiz nicht verrechnungssteuerpflichtig.

Genehmigtes und bedingtes Aktienkapital
Per 31. Dezember 2012 ist der Verwaltungsrat der Zurich Insurance Group AG gemäss Artikel 5bis (1) der Statuten ermächtigt, das Aktienkapital bis zum 29. März 2014 um CHF 1’000’000 zu erhöhen, was 10’000’000 Namenaktien zu nominal CHF 0.10 entspricht. Zurich Insurance Group AG kann überdies das bedingte Aktienkapital gemäss Artikel 5ter (1a) der Statuten um höchstens CHF 1’000’000 durch Ausgabe von bis zu 10’000’000 voll zu liberierenden Namenaktien zu nominal CHF 0.10 erhöhen, und zwar (1.) durch Ausübung von Wandel- und/oder Optionsrechten, die in Verbindung mit auf nationalen oder internationalen Kapitalmärkten begebenen Anleihen oder ähnlichen Obligationen der Gesellschaft oder einer ihrer Konzerngesellschaften eingeräumt werden, und/oder (2.) durch Ausübung von Optionsrechten, die den Aktionären eingeräumt werden. Das Unternehmen verfügt gemäss Artikel 5ter (2a) der Statuten über ein weiteres bedingtes Aktienkapital in Höhe von CHF 299’513.60 bzw. über 2’995’136 voll zu liberierende Namenaktien mit einem Nennwert von je CHF 0.10, die an Mitarbeitende der Gruppe ausgegeben werden können. Weitere Informationen über die Kapitalstruktur sowie über das genehmigte und bedingte Aktienkapital finden Sie in Note 22 auf S. 237 und 238 der geprüften Consolidated Financial Statements.

Änderungen des Aktienkapitals im Verlauf des Jahres 2012
2012 wurden 914’301 Aktien aus dem bedingten Aktienkapital an Mitarbeitende ausgegeben. Somit belief sich das Aktienkapital am 31. Dezember 2012 auf CHF 14’830’012.30 (148’300’123 Aktien). Das genehmigte Kapital und das bedingte Aktienkapital (gemäss Artikel 5bis (1) bzw. Artikel 5ter (1a) der Statuten) beliefen sich jeweils auf CHF 1’000’000 (10’000’000 Aktien), das andere bedingte Aktienkapital (gemäss Artikel 5ter (2a) der Statuten) belief sich auf CHF 299’513.60 (2’995’136 Aktien).

Änderungen des Aktienkapitals im Verlauf des Jahres 2011
2011 wurden 798’926 Aktien aus dem bedingten Aktienkapital an Mitarbeitende ausgegeben. Somit belief sich das Aktienkapital am 31. Dezember 2011 auf CHF 14’738’582.20 (147’385’822 Aktien). Das genehmigte Kapital und das bedingte Aktienkapital (gemäss Artikel 5bis (1) bzw. Artikel 5ter (1a) der Statuten) beliefen sich jeweils auf CHF 1’000’000 (10’000’000 Aktien), das andere bedingte Aktienkapital (gemäss Artikel 5ter (2a) der Statuten) belief sich auf CHF 390’943.70 (3’909’437 Aktien).

Bericht über die Corporate Governance *fortgesetzt*

Veränderungen des ordentlichen Aktienkapitals während der letzten zwei Jahre

	Aktienkapital in CHF	Anzahl Aktien	Nennwert in CHF
Per 31. Dezember 2010	14’658’689.60	146’586’896	0.10
Neu ausgegebene Aktien aus bedingtem Kapital	79’892.60	798’926	0.10
Per 31. Dezember 2011	14’738’582.20	147’385’822	0.10
Neu ausgegebene Aktien aus bedingtem Kapital	91’430.10	914’301	0.10
Per 31. Dezember 2012	14’830’012.30	148’300’123	0.10

Informationen zu Aktienkapitalveränderungen im Jahr 2010 sind im Geschäftsbericht 2011 der Zurich Insurance Group, S. 26–27, 160–161 sowie 227–228, enthalten.

Aktien und Partizipationsscheine

Bei den Aktien der Zurich Insurance Group AG handelt es sich um Namenaktien mit einem Nennwert von je CHF 0.10. Die Aktien sind voll liberiert. Gemäss Artikel 14 der Statuten gewährt jede Aktie das Recht auf eine Stimme bei der Generalversammlung und ermöglicht es dem im Aktienbuch eingetragenen Aktionär, alle übrigen mit einer solchen Aktie verbundenen Gesellschaftsrechte auszuüben.

Einige Anteile werden von den Anlegern in Form von American Depositary Receipts (ADRs)[1] gehalten. Per 31. Dezember 2012 hielten Anleger 24’376’020 ADRs (dies entspricht 2’437’602 Aktien der Zurich Insurance Group AG).

Genussscheine

Zurich Insurance Group AG hat keine Genussscheine emittiert.

Übertragungsbeschränkungen und Nominee-Registrierungen

Mit Ausnahme des Folgenden sehen die Statuten keine Übertragungsbeschränkungen vor:

Die Registrierung als Aktionär erfordert eine Erklärung, dass der Aktionär die Aktien in eigenem Namen und für eigene Rechnung erworben hat. Nominees, die Aktien der Zurich Insurance Group AG halten, können zugunsten von oder als Nominee für eine andere Person für bis zu 200’000 Aktien mit Stimmrecht registriert werden, auch wenn sie die Identität des Eigentümers nicht offenlegen. Halten sie mehr als 200’000 Aktien, können sie nur als Aktionär mit Stimmrecht registriert werden, wenn sie die Identität jedes Eigentümers offenlegen und den Eigentümer über das gemeinsame Vorgehen informieren, Instruktionen zur Ausübung der Stimmrechte und der Bezugsrechte einholen, Dividenden übertragen und im Interesse sowie in Übereinstimmung mit den Anweisungen des Eigentümers handeln.

Spezielle Vorschriften gibt es für die Registrierung und Ausübung von Rechten an Aktien durch die Bank of New York Mellon Corporation in Zusammenhang mit dem ADR-Programm der Zurich Insurance Group AG.

Wandelanleihen und Optionen

Zurich Insurance Group AG verfügte per 31. Dezember 2012 über keine ausstehenden öffentlich gehandelten Wandelanleihen oder Optionen. Informationen über die Aktienoptionspläne für Mitarbeitende finden Sie in Note 24 der geprüften Consolidated financial statements auf S. 245 – 247.

[1] Die Zurich Insurance Group AG hat ein American-Depositary-Share-(ADS)Level-1-Programm in den Vereinigten Staaten eingeführt. Im Rahmen des Programms gibt die Bank of New York Mellon die ADSs aus. Jede ADS repräsentiert das Recht auf den Erhalt eines Zehntels einer Aktie der Zurich Insurance Group AG. Jede ADS steht darüber hinaus auch für Wertpapiere, flüssige Mittel oder sonstige Vermögenswerte, die bei der Bank of New York Mellon hinterlegt sind, jedoch nicht an ADS-Inhaber ausgeschüttet werden. Zurich ADSs werden ausserbörslich (OTC) gehandelt und durch American Depositary Receipts (ADRs) nachgewiesen. Seit dem 1. Juli 2010 werden Zurich ADRs unter dem Kürzel ZURVY an der «OTCQX», einer elektronischen Plattform, die von OTC Markets Group, Inc. (vormals «Pink OTC Markets, Inc.» betrieben wird, gehandelt. ADS-Inhaber werden nicht als Aktionäre der Zurich Insurance Group AG behandelt und sind nicht in der Lage, Aktionärsrechte direkt durchzusetzen oder auszuüben. Nur die Bank of New York Mellon als Depositary kann Stimmrechte gemäss Weisungen ausüben, die sie von der wirtschaftlich Berechtigten der ADRs erhält.

DIESE SEITE WURDE ABSICHTLICH LEER GELASSEN

Verwaltungsrat

Das Verhältnis zwischen Verwaltungsrat und Management ist so strukturiert, dass es beiden Organen möglich ist, ihre Leistungsversprechen einzulösen. Diese Struktur sorgt für gegenseitige Kontrolle und soll die institutionelle Unabhängigkeit des Verwaltungsrats vom Chief Executive Officer und der Konzernleitung (Group Executive Committee) gewährleisten.

1 Josef Ackermann
Präsident des Verwaltungsrats,
Vorsitzender des Governance- und Nominationsausschusses,
Mitglied des Entschädigungsausschusses

2 Tom de Swaan
Vizepräsident des Verwaltungsrats,
Vorsitzender des Risikoausschusses,
Mitglied des Governance- und Nominationsausschusses

3 Susan Bies
Mitglied des Verwaltungsrats,
Mitglied des Prüfungsausschusses,
Mitglied des Risikoausschusses

4 Alison Carnwath
Mitglied des Verwaltungsrats,
Mitglied des Entschädigungsausschusses

5 Victor L.L. Chu
Mitglied des Verwaltungsrats,
Mitglied des Governance- und Nominationsausschusses

6 Rafael del Pino
Mitglied des Verwaltungsrats,
Mitglied des Entschädigungsausschusses

7 Thomas K. Escher
Mitglied des Verwaltungsrats,
Vorsitzender des Entschädigungsausschusses

8 Fred Kindle
Mitglied des Verwaltungsrats,
Mitglied des Prüfungsausschusses

9 Armin Meyer
Mitglied des Verwaltungsrats,
Mitglied des Governance- und Nominationsausschusses,
Mitglied des Risikoausschusses

10 Don Nicolaisen
Mitglied des Verwaltungsrats,
Vorsitzender des Prüfungsausschusses,
Mitglied des Risikoausschusses

11 Rolf Watter
Mitglied des Verwaltungsrats,
Mitglied des Prüfungsausschusses

Verwaltungsrat

Der Verwaltungsrat ist – unter der Führung des Präsidenten – für die Bestimmung der Gesamtstrategie der Gruppe und die Überwachung des Managements verantwortlich. Er verfügt über die endgültige Entscheidungsbefugnis für Zurich Insurance Group AG, mit Ausnahme der den Aktionären vorbehaltenen Entscheidungen.

Verwaltungsrat und seine Ausschüsse

per 31. Dezember 2012

Verwaltungsrat

Josef Ackermann*	Alison Carnwath	Thomas Escher	Don Nicolaisen
Tom de Swaan	Victor L.L. Chu	Fred Kindle	Rolf Watter
Susan Bies	Rafael del Pino	Armin Meyer	

Governance- und Nominationsausschuss	Entschädigungsausschuss	Prüfungsausschuss	Risikoausschuss
Josef Ackermann*	Thomas Escher*	Don Nicolaisen*	Tom de Swaan*
Armin Meyer	Josef Ackermann	Fred Kindle	Don Nicolaisen
Tom de Swaan	Alison Carnwath	Susan Bies	Susan Bies
Victor L.L. Chu	Rafael del Pino	Rolf Watter	Armin Meyer

* Präsident des Verwaltungsrats oder des Verwaltungsratsausschusses

Die Mitglieder des Verwaltungsrates werden von den Aktionären an der Generalversammlung gewählt. Der Verwaltungsrat konstituiert sich in seiner ersten Versammlung nach jeder Generalversammlung und ernennt einen Präsidenten und einen Vizepräsidenten, bei denen es sich um Verwaltungsratsmitglieder handelt. Alle aktuellen Mitglieder sind vom Management unabhängig und nicht mit der Geschäftsführung betraut.

Bericht über die Corporate Governance *fortgesetzt*

Mitglieder des Verwaltungsrats, per 31. Dezember 2012

Name	Nationalität	Jahrgang	Position	Jahr der ersten Ernennung	Ablauf der derzeitigen Amtszeit
Josef Ackermann	Schweiz	1948	Präsident des Verwaltungsrats Vorsitzender des Governance- und Nominationsausschusses Mitglied des Entschädigungsausschusses	2010	2015
Tom de Swaan	Niederlande	1946	Vizepräsident des Verwaltungsrats Vorsitzender des Risikoausschusses, Mitglied des Governance- und Nominationsausschusses	2006	2014
Susan Bies	USA	1947	Mitglied des Verwaltungsrats, Mitglied des Prüfungsausschusses Mitglied des Risikoausschusses	2008	2013
Alison Carnwath	Grossbritannien	1953	Mitglied des Verwaltungsrats, Mitglied des Entschädigungsausschusses	2012	2014
Victor L.L. Chu	Grossbritannien	1957	Mitglied des Verwaltungsrats, Mitglied des Governance- und Nominationsausschusses	2008	2013
Rafael del Pino	Spanien	1958	Mitglied des Verwaltungsrats, Mitglied des Entschädigungsausschusses	2012	2014
Thomas Escher	Schweiz	1949	Mitglied des Verwaltungsrats, Vorsitzender des Entschädigungsausschusses	2004	2015
Fred Kindle	Schweiz	1959	Mitglied des Verwaltungsrats, Mitglied des Prüfungsausschusses	2006	2014
Armin Meyer	Schweiz	1949	Mitglied des Verwaltungsrats, Mitglied des Governance- und Nominationsausschusses, Mitglied des Risikoausschusses	2001	2013
Don Nicolaisen	USA	1944	Mitglied des Verwaltungsrats, Vorsitzender des Prüfungsausschusses, Mitglied des Risikoausschusses	2006	2015
Rolf Watter	Schweiz	1958	Mitglied des Verwaltungsrats, Mitglied des Prüfungsausschusses	2002	2013

Mit Ausnahme von Frau Carnwath und Herrn del Pino, deren Amtszeiten im März 2012 begannen, waren alle derzeitigen Verwaltungsratsmitglieder während des gesamten Jahres 2012 im Verwaltungsrat tätig. Herr Gentz, der frühere Präsident des Verwaltungsrats der Zurich Insurance Group AG, und Herr Sankey legten ihre Ämter anlässlich der ordentlichen Generalversammlung 2012 nieder.

Alle Verwaltungsräte der Zurich Insurance Group AG sind auch Mitglieder des Verwaltungsrats der Zürich Versicherungs-Gesellschaft AG. Herr Ackermann ist ebenfalls Präsident des Verwaltungsrats dieser Gesellschaft. Weiter ist Herr de Swaan Mitglied im Verwaltungsrat der Zurich Insurance plc und Zurich Life Assurance plc in Irland. Herr Nicolaisen und Frau Bies sind Mitglieder des Verwaltungsrats der Zurich Holding Company of America, Inc. (ZHCA). Abgesehen von Frau Bies, Herrn Nicolaisen und Herrn de Swaan nehmen die Mitglieder des Verwaltungsrats keine weiteren Verwaltungsratsmandate innerhalb der Gruppe wahr.

Fritz Gerber ist Ehrenpräsident der Zurich Insurance Group AG. Er war Präsident des Verwaltungsrats der Zürich Versicherungs-Gesellschaft AG von 1977 bis 1995 und Chief Executive Officer von 1977 bis 1991. In Anerkennung seiner Leistungen und Verdienste für das Unternehmen wurde er zum Ehrenpräsidenten ernannt. Dieses Amt verleiht weder das Recht auf eine Mitgliedschaft im Verwaltungsrat oder Rechte und Pflichten eines Verwaltungsratsmitglieds noch den Anspruch auf ein Verwaltungsratshonorar.

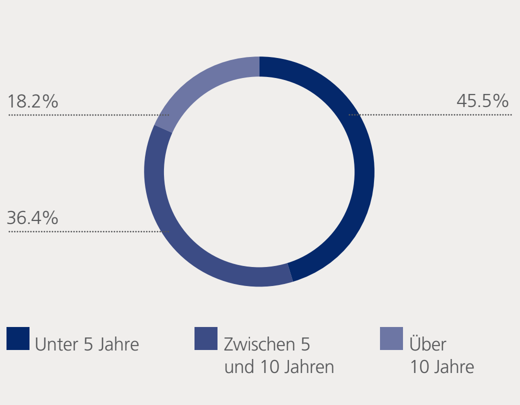
Zusammensetzung des Verwaltungsrats
Im aktuellen, sich rasch verändernden globalen Umfeld ist Vielfalt ein entscheidender Erfolgsfaktor. Der Verwaltungsrat von Zurich setzt sich aus Personen unterschiedlicher Herkunft, mit unterschiedlichen Erfahrungen, Fähigkeiten und Kenntnissen zusammen. Dies mündet in eine vorteilhafte Ausgewogenheit, dank der der Verwaltungsrat seine Aufgaben und Verantwortlichkeiten unter Berücksichtigung aller aktuellen geschäftlichen Anforderungen als Gruppe wahrnehmen kann.

Aktuell befinden sich im Verwaltungsrat Mitglieder mit fünf verschiedenen Nationalitäten. Die Mitglieder des Verwaltungsrats sammelten ihre Berufserfahrung in den unterschiedlichsten Ländern, sodass sie als Gruppe über eine umfassende Kenntnis internationaler Geschäftspraktiken verfügen. Ferner profitiert der Verwaltungsrat von der breitgefächerten kulturellen Herkunft, den unterschiedlichen Ausbildungen und beruflichen Hintergründen seiner Mitglieder, wie zum Beispiel im Bereich von Finanzdienstleistungen, Industrie, Technik sowie im Bereich rechtlicher und regulatorischer Fragen.

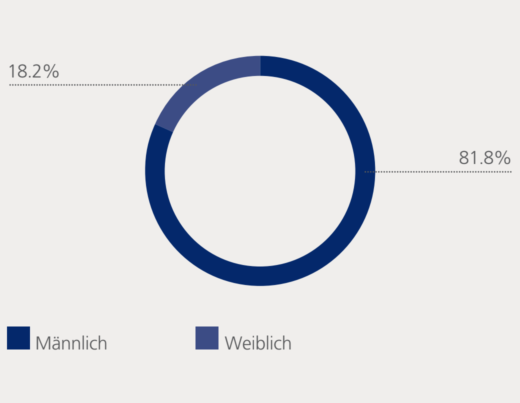
Der Verwaltungsrat nominierte Frau Monica Mächler als weiteres Mitglied des Verwaltungsrates zur Wahl an der ordentlichen Generalversammlung am 4. April 2013 der Zurich Insurance Group AG. Mit diesem Vorschlag sollen Frau Mächlers Know-how und fundierte Kenntnis der Versicherungsbranche sowie ihre Berufserfahrung insgesamt dem Verwaltungsrat zugutekommen. Im Falle ihrer Wahl erhöht sich der Anteil der im Verwaltungsrat vertretenen Frauen auf 27,2%.

Einzelheiten zur aktuellen Zusammensetzung des Verwaltungsrats per 31. Dezember 2012 in Bezug auf Länge der Amtszeit und Geschlechterverhältnis finden Sie in den folgenden Grafiken:

Verwaltungsrat nach Länge der Amtszeit
per 31. Dezember 2012



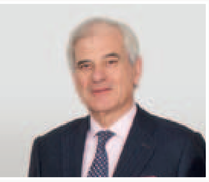
Verwaltungsrat nach Geschlecht
per 31. Dezember 2012



Bericht über die Corporate Governance *fortgesetzt*

Biographien

Josef Ackermann (1948), Schweizer Staatsbürger
Präsident des Verwaltungsrates
Fähigkeiten und Erfahrung: Herr Ackermann ist seit März 2012 als Präsident des Verwaltungsrats der Zurich Insurance Group AG tätig. Davor fungierte er zwei Jahre lang als Vizepräsident.
Herr Ackermann begann seine Karriere im Jahr 1977 bei der Schweizerischen Kreditanstalt (SKA). 1990 wurde Herr Ackermann in das Executive Board der SKA berufen und 1993 zu dessen Präsidenten ernannt. 1996 trat er in den Vorstand der Deutschen Bank AG ein, wo er für den Bereich Investment Banking zuständig war. 2002 wurde er Sprecher des Vorstands und Vorsitzender der Konzernleitung. Herr Ackermann war von Februar 2006 bis Mai 2012 Vorstandsvorsitzender.
Mitgliedschaft in Ausschüssen: Governance- und Nominationsausschuss (Vorsitzender), Entschädigungsausschuss
Sonstige Mandate innerhalb der Gruppe: Zürich Versicherungs-Gesellschaft AG (Präsident)
Externe Ernennungen: Herr Ackermann ist seit 2003 Mitglied im Aufsichtsrat der Siemens AG (zweiter stellvertretender Vorsitzender), Deutschland, seit 2008 Mitglied des Verwaltungsrats der Royal Dutch Shell plc, Niederlande, seit 2012 Mitglied des Verwaltungsrats der Investor AB, Schweden, und seit 2008 Vizepräsident des Verwaltungsrats der Belenos Clean Power Holding Ltd., Biel. Seit 2012 ist er darüber hinaus Mitglied des internationalen Advisory Board der China Banking Regulatory Commission (CBRC), the National Bank of Kuwait sowie von Akbank, Türkei. Herr Ackermann engagiert sich zudem im Weltwirtschaftsforum (stellvertretender Vorsitzender des Stiftungsrats), in der St. Galler Stiftung für Internationale Studien (Präsident), im Ehrensenat der Stiftung Lindauer Nobelpreisträgertreffen am Bodensee (Mitglied des Ehrensenats) und in der Metropolitan Opera New York (Advisory Director). 2007 unter anderem nahm Herr Ackermann darüber hinaus eine Ernennung als Gastprofessor im Fachbereich Finance an der London School of Economics an. Im Juli 2008 wurde er zum Honorarprofessor der Johann Wolfgang Goethe-Universität in Frankfurt am Main ernannt. Daneben ist er Honorary Fellow der London Business School und trägt den Ehrendoktortitel der griechischen Demokrit-Universität Thrakien. Herr Ackermann ist ausserdem Mitglied des internationalen Advisory Board des Lingnan (University) College, Universität Sun Yatsen.
Ausbildung: Herr Ackermann promovierte in Volkswirtschaft und Sozialwissenschaften an der Universität St. Gallen, Schweiz.



Tom de Swaan (1946), niederländischer Staatsbürger
Vizepräsident des Verwaltungsrates
Fähigkeiten und Erfahrung: Herr de Swaan arbeitet seit mehr als 40 Jahren im Bankensektor der Niederlande. 1972 kam er zur De Nederlandsche Bank N.V., wo er von 1986 bis 1998 Mitglied des Direktoriums war. Im Januar 1999 wurde er Mitglied der erweiterten Geschäftsleitung und Chief Financial Officer der ABN AMRO Bank. Er verliess ABN AMRO im Mai 2006, stand der Geschäftsleitung aber in beratender Funktion bis Juni 2007 weiterhin zur Verfügung. Von 1987 bis 1988 war Herr de Swaan Vorsitzender des Amsterdam Financial Center und von 1995 bis 1997 Vorsitzender des Unterausschusses der Bankenaufsicht des Europäischen Währungsinstituts. Überdies war er Mitglied (1991–1996) und Vorsitzender (1997–1998) des Basler Ausschusses für Bankenaufsicht. Herr de Swaan war zudem von Januar 2001 bis Ende 2006 nicht geschäftsführendes Mitglied des Board der Financial Services Authority in Grossbritannien.
Mitgliedschaft in Ausschüssen: Risikoausschuss (Vorsitzender), Governance- und Nominationsausschuss
Sonstige Mandate innerhalb der Gruppe: Zürich Versicherungs-Gesellschaft AG, Zurich Insurance plc, Zurich Life Assurance plc
Externe Ernennungen: Herr de Swaan ist nicht-geschäftsführendes Mitglied des Verwaltungsrats von GlaxoSmithKline sowie Vorsitzender des Prüfungsausschusses dieses Unternehmens seit 2006. Er ist seit 2006 Mitglied des Aufsichtsrats des niederländischen Chemiekonzerns Royal DSM. Seit 2007 ist Herr de Swaan ferner Vizepräsident des Aufsichtsrats von Royal Ahold, einem weltweit tätigen Einzelhandelsunternehmen, und seit 2008 auch Präsident des Aufsichtsrats von Van Lanschot NV, der Holdinggesellschaft von F. van Lanschot Bankiers, einer unabhängigen niederländischen Bank. Seit 2010 ist er Mitglied des Public Interest Committee von KPMG ELLP sowie Mitglied des internationalen Beratergremiums der National Bank of Kuwait. Herr de Swaan ist ausserdem Direktor mehrerer Non-Profit-Organisationen. Er ist Vorsitzender des Netherlands Cancer Institute, Mitglied des Verwaltungsrats der International Franz Liszt Piano Competition sowie Vorsitzender des Advisory Board der Rotterdam School of Management.
Ausbildung: Herr de Swaan schloss sein Studium der Wirtschaftswissenschaften an der Universität von Amsterdam mit einem Masters Degree ab.

Susan Bies (1947), US-amerikanische Staatsbürgerin
Mitglied des Verwaltungsrats
Fähigkeiten und Erfahrung: Frau Bies ist seit April 2008 Mitglied des Verwaltungsrates der Zurich Insurance Group AG. Sie begann ihre Karriere 1970 als Ökonomin bei der Federal Reserve Bank von St. Louis, Missouri, und wurde zwei Jahre später Assistenzprofessorin für Wirtschaftswissenschaften an der Wayne State University in Detroit, Michigan. 1977 ging sie in einer ähnlichen Position an das Rhodes College in Memphis, Tennessee; 1979 wechselte sie zur First Tennessee National Corporation in Memphis, wo sie bis 2001 tätig war. Während der ersten Jahre war sie dort unter anderem für die taktische Planung und Unternehmensentwicklung verantwortlich. 1984 wurde sie Chief Financial Officer und Präsidentin des Asset/Liability-Ausschusses. 1995 wurde sie Executive Vice President des Risikomanagements sowie Revisorin und Präsidentin des Exekutivausschusses für Risikomanagement, setzte jedoch ihre Aufgaben im Rahmen des Asset/Liability-Ausschusses fort. Von 2001 bis 2007 war sie Mitglied des Direktoriums des US-Zentralbankensystems (Federal Reserve System). Zwischen 1996 und 2001 war Frau Bies Mitglied der Emerging Issues Task Force des Financial Accounting Standards Board (FASB). Von 2007 bis 2008 war sie Mitglied des Beratungsausschusses der US-Börsenaufsicht (SEC), der sich mit Fragen zur Verbesserung der Jahresberichterstattung beschäftigt.
Mitgliedschaft in Ausschüssen: Prüfungsausschuss, Risikoausschuss
Sonstige Mandate innerhalb der Gruppe: Zürich Versicherungs-Gesellschaft AG, Zurich Holding Company of America, Inc.
Externe Ernennungen: Susan Bies ist seit Juni 2009 als Aufsichtsratsmitglied der Bank of America Corporation tätig und seit 2009 zudem Mitglied des Senior Advisory Board von Oliver Wyman.
Ausbildung: Frau Bies verfügt über einen BS des State University College at Buffalo, New York, sowie über einen MA der Northwestern University in Evanston, wo sie später auch den Doktortitel erlangte.

Alison Carnwath (1953), britische Staatsbürgerin
Mitglied des Verwaltungsrats
Fähigkeiten und Erfahrung: Frau Carnwath verfügt über umfangreiche Erfahrungen in der Finanzbranche. Sie begann ihre Karriere 1975 bei Peat Marwick Mitchell, jetzt KPMG, wo sie bis 1980 als Wirtschaftsprüferin arbeitete. Zwischen 1980 und 1982 arbeitete sie bei Lloyds Bank International als Finanzberaterin in Corporate Finance. Von 1982 bis 1993 arbeitete sie als Assistant Director und später Director bei J. Henry Schroder Wagg & Co in London und New York. Zwischen 1993 und 1997 war Frau Carnwath Senior Partner beim Finanzberater Phoenix Partnership. Nachdem das Unternehmen Ende 1997 von Donaldson Lufkin Jenrette (DLJ) übernommen worden war, arbeitete Frau Carnwath weiter für DLJ bis im Jahr 2000. Frau Carnwath übte verschiedene Verwaltungsratsmandate aus. Von 2000 bis 2005 war sie Präsidentin des Verwaltungsrates von Vitec Group plc und von 2001 bis 2006 Mitglied des Verwaltungsrates von Welsh Water. Zwischen 2004 und 2007 war sie Mitglied des Verwaltungsrates von Friends Provident plc. Frau Carnwath war zudem von 2004 bis 2007 Mitglied des Verwaltungsrates von Gallaher Group und von 2007 bis 2010 unabhängige Verwaltungsratspräsidentin von MF Global Inc. Weiter war sie von 2010 bis 2012 Mitglied des Verwaltungsrats von Barclays.
Mitgliedschaft in Ausschüssen: Entschädigungsausschuss
Sonstige Mandate innerhalb der Gruppe: Zürich Versicherungs-Gesellschaft AG
Externe Ernennungen: Frau Carnwath ist seit 2011 Senior Advisor bei Evercore Partners und seit 2000 unabhängige Präsidentin bei ISIS Equity Partners LLP. Sie ist seit 2008 Verwaltungsratspräsidentin von Land Securities Group plc und seit 2001 Mitglied des Verwaltungsrats von Man Group plc und seit 2005 auch von PACCAR Inc.
Ausbildung: Frau Carnwath schloss ihr Studium in Wirtschaft und Deutsch an der Universität von Reading ab.

Governance

Bericht über die Corporate Governance *fortgesetzt*

Victor L.L. Chu (1957), britischer Staatsbürger
Mitglied des Verwaltungsrats
Fähigkeiten und Erfahrung: Herr Chu verfügt über 30-jährige Erfahrung auf dem Gebiet des Unternehmens-, Handels- und Wertpapierrechts, mit besonderem Schwerpunkt auf China und regionalen Anlagegeschäften. Von 1995 bis 2000 war Herr Chu Deputy Secretary-General der International Bar Association. Während der letzten 25 Jahre war er zu verschiedenen Zeiten Direktor und Ratsmitglied der Hongkonger Börse, Mitglied des Hong Kong Takeovers and Mergers Panel, Mitglied des Beratungsausschusses der Hong Kong Securities and Futures Commission und zeitweise Mitglied der Central Policy Unit der Regierung von Hongkong. Er ist als Anwalt in England und Hongkong zugelassen.
Mitgliedschaft in Ausschüssen: Governance- und Nominationsausschuss
Sonstige Mandate innerhalb der Gruppe:
Zürich Versicherungs-Gesellschaft AG
Externe Ernennungen: Herr Chu ist seit 1988 Vorsitzender der First Eastern Investment Group, eines führenden Direktanlageunternehmens, das sich auf China und Geschäftsmöglichkeiten in Asien konzentriert. Er ist zudem seit 2006 Vorsitzender der First Eastern Investment Bank Limited und seit 1994 der FE Securities Limited. Derzeit ist er Mitglied des Stiftungsrats des Weltwirtschaftsforums und Vizepräsident von dessen International Business Council. Herr Chu ist darüber hinaus Vorsitzender des Hong Kong/European Union Business Cooperation Committee, Vizepräsident des Asia House in London und Mitglied des Mayor of London's International Business Advisory Council.
Ausbildung: Herr Chu schloss sein Studium am University College London mit einem LL.B. ab und ist heute Honorary Fellow dieses Instituts. Im Jahr 2011 wurde ihm der Weltwirtschaftliche Preis vom Kieler Institut für Weltwirtschaft verliehen.

Rafael del Pino (1958), spanischer Staatsbürger
Mitglied des Verwaltungsrats
Fähigkeiten und Erfahrung: Herr del Pino verfügt über mehr als 30 Jahre Erfahrung im internationalen Management. Herr del Pino begann seine berufliche Karriere bei Ferrovial und wechselte später als Berater zu Boston Consulting Group nach Paris. 1986 kehrte er zu Ferrovial zurück. Zwischen 1992 und 1999 war er CEO von Grupo Ferrovial und wurde 1999 zu deren Executive Vice Chairman ernannt. 2000 wurde Herr del Pino Executive Chairman und Managing Director von Ferrovial S.A. Während seiner Tätigkeit bei Ferrovial hat er das Unternehmen von einer hauptsächlich lokal tätigen Baufirma zu einem führenden, weltweit tätigen Infrastruktur-Dienstleistungsunternehmen weiterentwickelt. Zudem war Herr del Pino von 2003 bis 2012 Mitglied des Verwaltungsrats von Banesto (Banco Español de Crédito S.A.).
Mitgliedschaft in Ausschüssen: Entschädigungsausschuss
Sonstige Mandate innerhalb der Gruppe:
Zürich Versicherungs-Gesellschaft AG
Externe Ernennungen: Herr del Pino ist seit 2007 Mitglied des International Advisory Board von Blackstone. Er ist weiterhin verbunden mit der akademischen Welt durch seine Mitgliedschaft bei der MIT Corporation, dem International Advisory Board von IESE und dem European Advisory Board der Harvard Business School.
Ausbildung: Herr del Pino schloss sein Studium als Bauingenieur an der Universidad Politécnica Madrid ab und erwarb einen MBA von der MIT Sloan School of Management.

Thomas K. Escher (1949), Schweizer Staatsbürger
Mitglied des Verwaltungsrats
Fähigkeiten und Erfahrung: Herr Escher verfügt über umfangreiche Erfahrungen in den Bereichen Informationstechnologie und Bankwesen. Er kam 1974 zu IBM und hatte die Führungsverantwortung für verschiedene internationale Märkte inne. 1996 kam Herr Escher als Mitglied der Geschäftsleitung zum Schweizerischen Bankverein und war Chief Executive Officer für den bedeutenden Marktbereich in der Schweiz und für den Geschäftsbereich Information Technology. 1998, nach der Fusion des Schweizerischen Bankvereins mit der Schweizerischen Bankgesellschaft zur UBS AG, leitete er als Mitglied des Group Managing Board bis Mitte 2005 den IT-Bereich der Sparte Privat- und Firmenkunden der UBS AG. 2005 übernahm Herr Escher die Funktion des Vice Chairman in der Business Group Global Wealth Management & Swiss Bank der UBS AG.
Mitgliedschaft in Ausschüssen: Entschädigungsausschuss (Vorsitzender)
Sonstige Mandate innerhalb der Gruppe:
Zürich Versicherungs-Gesellschaft AG
Externe Ernennungen: Herr Escher ist seit 2012 Mitglied des Verwaltungsrates der Silent-Power AG aus dem schweizerischen Cham, einem im Bereich alternative Energien tätigem Unternehmen.
Ausbildung: Herr Escher schloss sein Studium an der Eidgenössischen Technischen Hochschule (ETH) als Elektroingenieur und Betriebsingenieur ab.

Fred Kindle (1959), Staatsbürger von Liechtenstein und der Schweiz
Mitglied des Verwaltungsrats
Fähigkeiten und Erfahrung: Herr Kindle verfügt über eine umfangreiche Berufserfahrung, die er in verschiedenen Funktionen erworben hat. Ab 1984 arbeitete er als Marketing-Projektmanager bei der Hilti AG in Liechtenstein. Von 1988 bis 1992 war er Berater bei McKinsey & Company in New York und Zürich. Danach trat er in die Sulzer Chemtech AG in der Schweiz ein und war zunächst Leiter des Profit Center Stoffaustausch und ab 1996 Leiter der Product Division. 1999 wurde er zum CEO von Sulzer Industries ernannt, einer der zwei operativen Einheiten der Sulzer AG. Zwei Jahre später wurde er Chief Executive Officer der Sulzer AG, wo er auch als Mitglied des Verwaltungsrats fungierte. Nach seinem Wechsel zu ABB Ltd. im Jahr 2004 wurde Herr Kindle im Januar 2005 zum Chief Executive Officer der ABB Group ernannt; diese Funktion hatte er bis Februar 2008 inne. Danach wurde er Partner des Private-Equity-Unternehmens Clayton, Dubilier & Rice LLP mit Sitz in New York und London.
Mitgliedschaft in Ausschüssen: Prüfungsausschuss
Sonstige Mandate innerhalb der Gruppe:
Zürich Versicherungs-Gesellschaft AG
Externe Ernennungen: In seiner Funktion als Partner von Clayton, Dubilier & Rice ist Herr Kindle seit 2008 auch als Verwaltungsratspräsident der Exova Ltd., Schottland, seit 2010 als Verwaltungsratspräsident der BCA Group, Grossbritannien, und seit 2009 als Mitglied des Verwaltungsrats der Rexel SA, Frankreich, tätig. Darüber hinaus ist er seit 2002 Mitglied im Verwaltungsrat der VZ Holding Ltd., Zürich, und seit 2008 der Stadler Rail AG in Bussnang.
Ausbildung: Herr Kindle schloss sein Maschinenbaustudium an der Eidgenössischen Technischen Hochschule (ETH) in Zürich mit einem Master ab und erwarb einen MBA von der Northwestern University, Evanston, USA.

Armin Meyer (1949), Schweizer Staatsbürger
Mitglied des Verwaltungsrats
Fähigkeiten und Erfahrung: Herr Meyer verfügt über umfangreiche Erfolge im Bereich Management, die er in internationalen Branchenorganisationen erworben hat. Er kam 1976 als Entwicklungsingenieur zur damaligen BBC Brown Boveri AG und wurde 1980 Leiter des Bereichs Forschung und Entwicklung von Industriemotoren. 1984 übernahm er die Leitung der internationalen Geschäftseinheit für elektrische Generatoren. 1988 wurde Herr Meyer Präsident der ABB Drives AG und 1992 Präsident der ABB Kraftwerke AG. Von 1995 bis 2000 war er Executive Vice President der ABB AG und Mitglied der Konzernleitung. Herr Meyer wurde in den Verwaltungsrat der Ciba Spezialitätenchemie gewählt, als dieses Unternehmen 1997 von Novartis abgespalten wurde. Im Herbst 2000 wurde er zum Verwaltungsratspräsidenten von Ciba Spezialitätenchemie ernannt und war bis April 2009 in dieser Funktion tätig. Von Januar 2001 bis Dezember 2007 war er darüber hinaus Chief Executive Officer dieses Unternehmens. Herr Meyer war bis Dezember 2011 Mitglied der Geschäftsleitung und des Stiftungsrats des International Institute for Management Development (IMD) in Lausanne, Schweiz. Von 2001 bis 2008 war er Mitglied des European Chemical Industry Council (Cefic) in Brüssel, Belgien.
Mitgliedschaft in Ausschüssen: Governance- und Nominationsausschuss, Risikoausschuss
Sonstige Mandate innerhalb der Gruppe:
Zürich Versicherungs-Gesellschaft AG
Externe Ernennungen: 2010 wurde Herr Meyer Mitglied des Verwaltungsrats von Amcor Limited in Melbourne, Australien.
Ausbildung: Herr Meyer erwarb einen Doktortitel in Elektrotechnik an der Eidgenössischen Technischen Hochschule (ETH) in Zürich.

Don Nicolaisen (1944), amerikanischer Staatsbürger
Mitglied des Verwaltungsrats
Fähigkeiten und Erfahrung: Herr Nicolaisen verfügt über umfangreiche Erfahrungen im Bereich Rechnungslegung, Revision und Finanzberichterstattung. Er kam zu Price Waterhouse (heute PricewaterhouseCoopers oder PwC), wo er 1978 Partner wurde. Er war in verschiedenen Funktionen tätig, unter anderem als Wirtschaftsprüfer und Präsident der Financial Services Practice von PricewaterhouseCoopers. Von 1988 bis 1994 leitete Herr Nicolaisen bei PwC die US-amerikanische Abteilung für Rechnungslegung und SEC-Dienstleistungen und war von 1994 bis 2001 Mitglied des US-amerikanischen sowie des internationalen Verwaltungsrats. Von September 2003 bis November 2005 fungierte er als Chefbuchhalter der US- Börsenaufsicht (SEC); zudem war er leitender Berater der Kommission für Rechnungslegungs- und Revisionsangelegenheiten.
Mitgliedschaft in Ausschüssen: Prüfungsausschuss (Vorsitzender), Risikoausschuss
Sonstige Mandate innerhalb der Gruppe:
Zürich Versicherungs-Gesellschaft AG, Zurich Holding Company of America, Inc.
Externe Ernennungen: Herr Nicolaisen ist Verwaltungsratsmitglied von Verizon Communications Inc. seit 2005, von Morgan Stanley seit 2006 und von MGIC Investment Corporation ebenfalls seit 2006. Ferner ist er Mitglied des Beirats der University of Southern California Leventhal School of Accounting.
Ausbildung: Herr Nicolaisen schloss sein Studium an der University of Wisconsin-Whitewater mit einem BBA ab.

Governance

Bericht über die Corporate Governance *fortgesetzt*

Rolf Watter (1958), Schweizer Staatsbürger
Mitglied des Verwaltungsrats
Fähigkeiten und Erfahrung: Herr Watter verfügt über umfangreiche Erfahrungen auf dem Gebiet des Gesellschaftsrechtes, insbesondere bezüglich komplexer grenzüberschreitender Transaktionen und Fragen der Corporate Governance und ist seit 1994 Partner der Anwaltskanzlei Bär & Karrer in Zürich. Er war ab 2000 Mitglied der Geschäftsleitung und seit der Gründung der Bär & Karrer AG im Jahr 2007 bis September 2009 geschäftsführendes Mitglied des Verwaltungsrats. Herr Watter unterrichtet nebenamtlich als Professor für Rechtswissenschaften an der Universität Zürich und ist im Kanton Zürich als Rechtsanwalt zugelassen. Von 2004 bis 2008 war er nicht geschäftsführender Präsident des Verwaltungsrats der Cablecom Holding AG. Zudem war Herr Watter nicht geschäftsführendes Verwaltungsratsmitglied der Syngenta AG von 2000 bis 2012, der Centerpulse AG von 2002 bis 2003, der Forbo Holding AG von 1999 bis 2005 und der Feldschlösschen Getränke AG von 2001 bis 2004.

Mitgliedschaft in Ausschüssen: Prüfungsausschuss
Sonstige Mandate innerhalb der Gruppe:
Zürich Versicherungs-Gesellschaft AG
Externe Ernennungen: Rolf Watter ist seit 2007 ein nicht geschäftsführendes Verwaltungsratsmitglied der Nobel Biocare Holding AG und ist seit dem Sommer 2012 als deren Verwaltungsratspräsident tätig. Weiter ist er seit 2000 ein nicht geschäftsführendes Verwaltungsratsmitglied der UBS Alternative Portfolio AG und seit 1997 der A.W. Faber-Castell AG.
Er ist Mitglied der Zulassungsstelle und der Fachkommission der Offenlegungsstelle der SIX Swiss Exchange. Darüber hinaus übernimmt Herr Watter Mitte 2013 die Position des nicht geschäftsführenden Präsidenten des Verwaltungsrats der PostFinance AG. Ferner ist er Verwaltungsratspräsident von zwei Wohltätigkeitsorganisationen.
Ausbildung: Herr Watter schloss sein Jurastudium mit Promotion an der Universität Zürich ab und verfügt über einen Master of Laws der Georgetown University in den USA. Er ist im Kanton Zürich als Rechtsanwalt zugelassen.

Die Geschäftsadresse aller Verwaltungsratsmitglieder lautet: Mythenquai 2, 8002 Zürich, Schweiz.

Wahlen und Amtszeiten

Gemäss den Statuten besteht der Verwaltungsrat aus mindestens sieben und maximal dreizehn Mitgliedern. Die ordentliche Amtsdauer beträgt drei Jahre. Nach Ablauf ihrer Amtszeit können sich die Verwaltungsräte zur Wiederwahl stellen. Nach den internen Richtlinien der Gruppe darf die Amtszeit der Mitglieder des Verwaltungsrates im Allgemeinen die Dauer von zwölf Jahren nicht übersteigen und keine Person, die älter als 70 Jahre ist, darf in den Verwaltungsrat gewählt werden oder als Verwaltungsrat tätig sein. Unter speziellen Umständen sind jedoch Ausnahmen zulässig.

Die Statuten verlangen, dass die Wahlen so organisiert werden, dass bei einer ordentlichen Generalversammlung nie mehr als vier Verwaltungsratsmandate gleichzeitig enden. Die Verwaltungsratsmitglieder werden einzeln und durch Mehrheitsbeschluss gewählt.

An der ordentlichen Generalversammlung am 29. März 2012 wurden die Herren Ackermann, Escher und Nicolaisen für eine Amtszeit von drei Jahren erneut in den Verwaltungsrat gewählt und Frau Alison Carnwath und Herr Rafael del Pino wurden für eine Amtszeit von zwei Jahren in den Verwaltungsrat gewählt.

Zur ordentlichen Generalversammlung vom 4. April 2013 enden die Verwaltungsratsmandate von Frau Bies sowie der Herren Chu, Meyer und Watter. Frau Bies wurde vom Verwaltungsrat für eine Amtszeit von drei Jahren und Herr Chu für eine Amtszeit von einem Jahr zur Wiederwahl vorgeschlagen. Da die internen Richtlinien der Gruppe eine maximale Amtszeit von zwölf Jahren vorsehen, wurde Herr Watter vom Verwaltungsrat für die Amtszeit von einem Jahr zur Wiederwahl vorgeschlagen, weil er an der ordentlichen Generalversammlung 2014 seine maximale Amtszeit erreicht haben wird. Herr Meyer, der die maximale Amtszeit an der ordentlichen Generalversammlung vom 4. April 2013 realisiert haben wird, steht für die Wiederwahl in den Verwaltungsrat nicht mehr zur Verfügung.

Frau Monica Mächler wurde als weiteres Mitglied des Verwaltungsrats zur Wahl an der Generalversammlung am 4. April 2013 für eine Amtszeit von drei Jahren nominiert. Einzelheiten zur Person von Frau Monica Mächler finden Sie nachfolgend:

Monica Mächler (1956), Schweizer Staatsbürgerin
Fähigkeiten und Erfahrung: Monica Mächler war von 2009 bis 2012 als Vizepräsidentin des Verwaltungsrates der integrierten Eidgenössischen Finanzmarktaufsicht (FINMA) tätig, nachdem sie zuvor von 2007 bis 2008 das Schweizer Bundesamt für Privatversicherungen geleitet hatte. Sie stiess im Jahr 1990 zur Zurich Insurance Group und war von 1999 bis 2006 als Group General Counsel tätig und leitete das Verwaltungsratssekretariat. 2001 wurde sie zum Mitglied des Group Management Board ernannt. Zwischen 1985 und 1990 war sie in einer Rechtsanwaltskanzlei mit Schwerpunkt Bank- und Wirtschaftsrecht tätig. Von 2010 bis 2012 leitete Frau Mächler zudem das Technical Committee der International Association of Insurance Supervisors (IAIS). Frau Mächler war Mitglied in verschiedenen Schweizer Expertenkommissionen zu regulatorischen Projekten und hält regelmässig Vorlesungen und Vorträge sowie publiziert im Bereich des internationalen Wirtschaftsrechts sowie der Regulierung und deren Auswirkungen.
Externe Ernennungen: Monica Mächler ist seit Mai 2012 Mitglied des Aufsichtsrates der Deutschen Börse AG.
Ausbildung: Nachdem Frau Mächler in Rechtswissenschaften an der Universität Zürich promoviert und sich auf britisches, US-amerikanisches und internationales Privatrecht spezialisiert hatte, erwarb sie das Anwaltspatent des Kantons Zürich.

Interne Organisationsstruktur und Verantwortlichkeiten

Der Verwaltungsratspräsident ist Vorsitzender des Verwaltungsrats. Falls er diese Funktion nicht ausüben kann, übernimmt der Vizepräsident den Vorsitz. Der Verwaltungsrat erstellt eine Liste von Themen, die im Laufe des Jahres an den Sitzungen behandelt werden. Damit er seine in Artikel 717 des Schweizerischen Obligationenrechts statuierte Sorgfaltspflicht erfüllen kann, wird er regelmässig, rechtzeitig und in angemessener Art und Weise über die Entwicklungen im Zusammenhang mit der Gruppe informiert.

Alle Verwaltungsratsmitglieder sind vom Management unabhängig, gehören nicht dem Management an und hatten nie eine Managementfunktion in der Gruppe inne. Der Governance- und Nominationsausschuss überprüft jährlich die Unabhängigkeit der Verwaltungsratsmitglieder und teilt seine Erkenntnisse dem Verwaltungsrat mit, der für die definitiven Entscheidungen zuständig ist. Für die Verwaltungsratsmitglieder gelten zudem die Vorschriften und Regeln zur Vermeidung von Interessenkonflikten und zur Verwendung von Insider-Informationen.

Einmal jährlich erfolgt eine Selbstbeurteilung des gesamten Verwaltungsrats. Angesichts der Veränderungen in der Zusammensetzung des Verwaltungsrats (neuer Präsident, zwei neue Mitglieder, Änderungen in der Zusammensetzung der Ausschüsse des Verwaltungsrats) wurde 2012 beschlossen, dass die Selbstbeurteilung des Verwaltungsrats auf der Basis eines kürzeren Fragebogens als in den Vorjahren erfolgen soll. Der Fragebogen umfasste Themen wie die von den Mitgliedern des Verwaltungsrats für bestimmte Themen aufgewendete Zeit, strategiebezogene Fragen (Klarheit der Strategie, Meinungsbildungsprozess zur Strategie, Überwachung der Umsetzung der Strategie), Zusammensetzung des Verwaltungsrats sowie Teilnahme, Effektivität und Effizienz der Sitzungen, Qualität der Sitzungsvorbereitung, allgemeine Effektivität (Atmosphäre, Interaktion mit der Geschäftsleitung usw.). Ein detaillierter Bericht mit den Ergebnissen wurde für den Verwaltungsrat verfasst und von diesem erörtert.

Da die Funktionen des Verwaltungsratspräsidenten und des Chief Executive Officer getrennt sind und der Verwaltungsrat ausschliesslich aus Mitgliedern besteht, die nicht mit der Geschäftsleitung betraut sind, bedarf es keines «Lead Director» gemäss Swiss Code of Best Practice.

Der Chief Executive Officer nimmt ex officio an den Verwaltungsratssitzungen teil. Mitglieder der Konzernleitung nehmen regelmässig auf Einladung an den Verwaltungsratssitzungen teil. Andere Führungskräfte sind ebenfalls auf Einladung des Verwaltungsrats bei dessen Sitzungen anwesend. Die meisten Verwaltungsratssitzungen enthalten nichtöffentliche Beratungen, bei denen die Geschäftsleitung nicht anwesend ist.

Der Verwaltungsrat bestimmt unter seinen Mitgliedern den Präsidenten sowie den Vizepräsidenten und ernennt seine(n) Sekretär(in).

Der Verwaltungsrat ist verpflichtet, sich mindestens sechsmal pro Jahr zu treffen. Im Jahr 2012 wurden zehn Sitzungen abgehalten (bei sieben dieser Sitzungen waren einzelne Teilnehmer via Telefon-/Videokonferenz zugeschaltet, und eine Sitzung erstreckte sich über einen Zeitraum von zwei Tagen). Eine Sitzung war ausschliesslich strategischen Themen gewidmet. Fünf Sitzungen dauerten vier oder mehr Stunden pro Tag, vier Sitzungen nahmen je rund drei Stunden in Anspruch und eine Sitzung dauerte etwa eine halbe Stunde. Darüber hinaus hat der Verwaltungsrat einstimmig einen Zirkulationsbeschluss getroffen.

Bericht über die Corporate Governance *fortgesetzt*

2012 nahmen durchschnittlich 87 Prozent der Verwaltungsratsmitglieder an den Sitzungen teil. Um ihre Pflichten zu erfüllen, wenden die Verwaltungsratsmitglieder zusätzlich Zeit für die Teilnahme an Sitzungen der Verwaltungsratsausschüsse und für die Vorbereitung der Sitzungen auf.

Der Verwaltungsrat ist für das endgültige Management der Zurich Insurance Group AG und, soweit gesetzlich zulässig, der Gruppe sowie für die Überwachung des Geschäftsführung zuständig. Insbesondere ist er für die Ergreifung von Massnahmen in folgenden Bereichen zuständig:

- **Konzernstrategie:** Der Verwaltungsrat prüft und bespricht regelmässig insbesondere das Geschäftsportfolio der Gruppe, einschliesslich ihrer Strategie im Hinblick auf Zielmärkte, Akquisitionen, Kunden und Versicherungsvermittler und die HR-Strategie;

- **Finanzen:** Der Verwaltungsrat genehmigt insbesondere jährlich den Finanz- und operativen Plan und erstellt Richtlinien für die Eigenkapitalzuteilung und Finanzplanung. Darüber hinaus prüft und genehmigt der Verwaltungsrat die konsolidierten Jahres- und Zwischenabschlüsse der Zurich Insurance Group AG und der Gruppe. Der Verwaltungsrat genehmigt wichtige Transaktionen der Kreditaufnahme und Kreditgewährung, die bestimmte Schwellenwerte übersteigen;

- **Struktur und Organisation der Gruppe:** Der Verwaltungsrat bestimmt und prüft regelmässig die Grundsätze der Konzernstruktur und wichtige Veränderungen an der Managementorganisation der Gruppe, einschliesslich wichtiger Veränderungen der Managementfunktionen. In diesem Zusammenhang bespricht der Verwaltungsrat insbesondere die Struktur der Corporate Governance und das Vergütungssystem der Gruppe. Der Verwaltungsrat beschliesst und prüft ausserdem regelmässig die grundlegenden Verhaltensgrundsätze, Compliance und Risikomanagement der Gruppe. Im Rahmen seiner Pflicht, die Generalversammlung einzuberufen und dieser Vorschläge zu unterbreiten, bespricht der Verwaltungsrat darüber hinaus die Dividendenpolitik und den Vorschlag des Verwaltungsrats bezüglich Dividendenzahlung. Innerhalb seiner Befugnisse beschliesst der Verwaltungsrat zudem Kapitalerhöhungen und die Zertifizierung von Kapitalerhöhungen sowie die entsprechenden Änderungen an den Statuten;

- **Geschäftsentwicklung:** Über bestimmten Schwellenwerten, bespricht und genehmigt der Verwaltungsrat regelmässig Akquisitionen oder Veräusserungen von Geschäften oder Aktiven, Kapitalanlagen, die Errichtung von Neugeschäft, Fusionen, Joint-Ventures, Kooperationen und die Umstrukturierung von Geschäftseinheiten oder Geschäftsportfolien.

Neben der regelmässigen Erörterung der vorstehend genannten Themen konzentrierte sich der Verwaltungsrat im Jahr 2012 insbesondere auf die folgenden Bereiche:

- Risikomanagement und Anlagemanagement vor dem Hintergrund der Krise in der Eurozone;

- Folgen des Niedrigzinsumfeldes unter anderem auf den Produktmix im Segment Global Life und auf das Anlagemanagement;

- Regulatorische Entwicklungen im Zusammenhang mit Liquidität, Kapitalanforderungen und Solvabilitätsmanagement;

- Entwicklungen im Zusammenhang mit der Corporate Governance und vergütungsbezogene Fragen, deren mögliche Auswirkung auf Zurich und entsprechende Vorbereitungsmassnahmen.

Der Verwaltungsrat kann für spezifische Bereiche aus Verwaltungsratsmitgliedern bestehende Ausschüsse ernennen und Regeln hinsichtlich der delegierten Aufgaben und Verantwortlichkeiten sowie der Berichterstattung der entsprechenden Ausschüsse festlegen. Die Ausschüsse unterstützen den Verwaltungsrat bei der Erfüllung seiner Aufgaben und Pflichten. Sie diskutieren die betreffenden Angelegenheiten und machen dem Verwaltungsrat Vorschläge bezüglich der anstehenden Massnahmen und Beschlüsse, sofern sie nicht in bestimmten Bereichen zur eigenen Beschlussfassung ermächtigt sind. Im Durchschnitt dauerten die Sitzungen der Ausschüsse im Jahr 2012 zwischen einer und drei Stunden.

Der Verwaltungsrat verfügt über die nachfolgend erwähnten ständigen Ausschüsse, die regelmässig Bericht erstatten und dem Verwaltungsrat Anträge zur Entscheidung vorlegen:

Governance- und Nominationsausschuss

Zusammensetzung und Mitgliedschaft: Der Governance- und Nominationsausschuss besteht aus mindestens vier Verwaltungsratsmitgliedern. Aktuell wirken die Herren Josef Ackermann (Vorsitzender), Armin Meyer, Tom de Swaan und Victor L.L. Chu in diesem Ausschuss mit.

Hauptaufgaben und Verantwortlichkeiten: Im Allgemeinen ist der Governance- und Nominationsausschuss für Folgendes zuständig:

- Er überwacht die Governance der Gruppe und misst diese anhand von Best-Practice-Ansätzen, wobei sichergestellt wird, dass die Rechte der Aktionäre in vollem Umfang geschützt werden;

- Er entwickelt Richtlinien für die Corporate Governance, schlägt diese dem Verwaltungsrat vor und überprüft sie in regelmässigen Abständen;

- Er stellt die Einhaltung der Offenlegungsanforderungen zur Corporate Governance sowie der gesetzlichen und behördlichen Anforderungen sicher;

- Er ist mit der Nachfolgeplanung für den Verwaltungsrat, den Chief Executive Officer und die Mitglieder der Konzernleitung betraut. In diesem Zusammenhang schlägt er die Grundsätze für die Ernennung und die kontinuierliche Qualifikation der Verwaltungsratsmitglieder vor und unterbreitet dem Verwaltungsrat Vorschläge zu dessen Zusammensetzung und zur Ernennung des Präsidenten und Vizepräsidenten des Verwaltungsrats sowie des Chief Executive Officer und der Mitglieder der Konzernleitung. Abschliessende Entscheidungen über Nominationen und Ernennungen werden vom Verwaltungsrat getroffen, unter Vorbehalt der Zustimmung der Aktionäre, sofern diese erforderlich ist; und

- Er überwacht die Ausbildung des Führungsnachwuchses und überprüft die erzielten Fortschritte bei der Nachfolgeplanung.

Aktivitäten 2012: Der Governance- und Nominationsausschuss tagte 2012 fünfmal – durchschnittlich nahmen 90 Prozent der Mitglieder an den Sitzungen teil. Es wurden insbesondere folgende Themen behandelt:

- Entwicklungen im Zusammenhang mit Angelegenheiten der Corporate Governance und deren mögliche Auswirkung auf Zurich;

- Nachfolgeplanung für den Verwaltungsrat; daraufhin wurde dem Verwaltungsrat empfohlen, an der ordentlichen Generalversammlung am 4. April 2013 Frau Monica Mächler für die Wahl zu nominieren;

- Nachfolgeplanung der Mitglieder der Unternehmensführung, einschliesslich einer Überprüfung des Führungsteams und des Talent- und Diversitätsmanagements; und

- Anpassungen und Änderungen im Bericht über die Corporate Governance.

Entschädigungsausschuss

Zusammensetzung und Mitgliedschaft: Das Organisationsreglement der Zurich Insurance Group AG verlangt, dass der Entschädigungsausschuss aus mindestens vier nicht geschäftsführenden Verwaltungsratsmitgliedern besteht. Aktuell wirken die Herren Thomas Escher (Vorsitzender), Josef Ackermann, Rafael del Pino sowie Frau Alison Carnwath in diesem Ausschuss mit.

Hauptaufgaben und Verantwortlichkeiten: Im Allgemeinen ist der Entschädigungsausschuss für Folgendes zuständig:

- Er bewertet regelmässig das Vergütungssystem sowie die Vergütungsgrundsätze der Gruppe und schlägt dem Verwaltungsrat ggf. entsprechende Änderungen vor. Der Verwaltungsrat ist für den Entwurf, die Umsetzung und Überwachung der Vergütungsstruktur der Gruppe verantwortlich;

  Weitere Einzelheiten zum Vergütungs-Governance-System und den Vergütungsgrundsätzen der Gruppe finden Sie im Vergütungsbericht, S. 56–81;

- Er schlägt dem Verwaltungsrat das Honorar der Verwaltungsratsmitglieder zur Genehmigung vor;

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- Er verhandelt, gestützt auf die Vergütungsgrundsätze, die Anstellungsbedingungen des Chief Executive Officer und prüft jene der anderen Mitglieder der Konzernleitung – die durch den Chief Executive Officer ausgehandelt werden –, bevor er sie dem Verwaltungsrat zur Genehmigung unterbreitet;

- Er arbeitet mit dem CEO bei wichtigen Fragen bezüglich Anstellung, Entlöhnung und Zusatzleistungen zusammen;

- Er überprüft die Performance im Zusammenhang mit den kurz- und langfristigen Incentive-Programmen für Führungskräfte. Zur Abstimmung der Vergütungsfragen mit der Fähigkeit des Unternehmens zur Übernahme von Risiken hält Group Risk Management darüber hinaus Rücksprache mit den anderen Governance-, Kontroll- und Assurance-Funktionen, um einen Überblick über die Risikofaktoren zu geben, die in die Beurteilung der Gesamtleistung im Hinblick auf die jährlichen Incentives einzubeziehen sind, und der Chief Risk Officer steht dem Entschädigungsausschuss und dem Verwaltungsrat für die Besprechung dieser Ergebnisse zur Verfügung.

Aktivitäten 2012: Der Vergütungsausschuss tagte 2012 siebenmal – es nahmen 100 Prozent der Mitglieder an den Sitzungen teil. Es wurden insbesondere folgende Themen behandelt:

- die Performance der Gruppe, der Segmente und der Konzernleitung sowie die Genehmigung der STIP- und LTIP-Boni für 2011 einschliesslich der Genehmigung des Gesamtpools der variablen Vergütungen für 2011;

- das Regelungsumfeld, wie zum Beispiel die Implikationen des Rundschreibens 2010/1 der FINMA zu Vergütungssystemen und die von Ethos und ISS aufgeworfenen Aspekte zur Vergütung;

- Entwicklungen bei vergütungsbezogenen Fragen sowie deren mögliche Auswirkung auf Zurich;

- Themen im Zusammenhang mit Aktionärsberatern wie Ethos oder ISS;

- die Höhe des Aktienbesitzes der Mitglieder des Verwaltungsrats und der Konzernleitung (zu Einzelheiten siehe Vergütungsbericht auf S. 71 und S. 77);

- bei der jährlichen gemeinsamen Tagung mit dem Risikoausschuss wurden Aspekte des Risikomanagements der Vergütungsstruktur der Gruppe besprochen;

- In der jährlichen Überprüfung wurden der Vergütungsbericht, die Vergütungsgrundsätze und die Vorschriften des Entschädigungsausschusses besprochen und genehmigt; und

- in der jährlichen Überprüfung wurde die Vergütung des Verwaltungsrats und der Konzernleitung besprochen.

Für die Unterstützung bei der Überprüfung der Vergütungsstrukturen und der Vorgehensweisen hat der Entschädigungsausschuss mit Meridian Compensation Partners, LLC und Aon Hewitt seine eigenen unabhängigen Berater.

Prüfungsausschuss

Zusammensetzung und Mitgliedschaft: Das Organisationsreglement der Zurich Insurance Group AG verlangt, dass der Prüfungsausschuss aus mindestens vier nicht geschäftsführenden Verwaltungsratsmitgliedern besteht, die von der Geschäftsführung unabhängig sind. Aktuell wirken die Herren Don Nicolaisen (Vorsitzender), Fred Kindle, Rolf Watter und Frau Susan Bies – die jeweils die erforderlichen Voraussetzungen zur Unabhängigkeit und Qualifikation erfüllen – in diesem Ausschuss mit.

Gemäss den internen Richtlinien des Prüfungsausschusses muss der Prüfungsausschuss als Gremium: (i) Verständnis der International Financial Reporting Standards (IFRS) und der Jahresrechnung besitzen, (ii) über die Fähigkeit verfügen, die allgemeine Anwendung dieser Standards im Hinblick auf Schätzungen, Abgrenzungen und Rückstellungen zu beurteilen, (iii) Erfahrung in der Vorbereitung, Prüfung, Analyse und Bewertung von Jahresrechnungen aufweisen, die bezüglich Umfang und Komplexität der Rechnungslegungsfragen mit denjenigen von Zurich Insurance Group AG und der Gruppe vergleichbar sind, oder Erfahrung besitzen in der aktiven Überwachung einer oder mehrerer Personen, die in diesen Bereichen tätig sind, (iv) die internen Kontrollmechanismen und Verfahren im Rahmen der finanziellen Berichterstattung sowie (v) die Funktionen des Prüfungsausschusses verstehen.

Um den reibungslosen Informationsaustausch zwischen Risiko- und Prüfungsausschuss zu verbessern, ist der Vorsitzende des Prüfungsausschusses gleichzeitig Mitglied des Risikoausschusses und ein Mitglied des Risikoausschusses Mitglied des Prüfungsausschusses. Der Verwaltungsratspräsident nimmt regelmässig als Gast an den Sitzungen des Risiko- und des Prüfungsausschusses teil.

Die externen Revisoren, Vertreter der internen Revision und die zuständigen Mitglieder der Konzernleitung sowie weitere Führungskräfte nehmen an den Sitzungen unter anderem zur Besprechung der Revisionsberichte, zur Überprüfung und Auswertung des Prüfungskonzepts sowie des Prüfungsablaufs und zur Beurteilung der Tätigkeiten von externen und internen Revisoren teil. Die meisten Sitzungen des Prüfungsausschusses sind als separate Treffen mit externen und internen Revisoren vorgesehen, um Gespräche in Abwesenheit der Konzernleitung zu ermöglichen.

Weitere Informationen zur Überwachung und Kontrolle des externen Prüfungsprozesses finden sich auf Seite 52 und Seite 53.

Hauptaufgaben und Verantwortlichkeiten: Im Allgemeinen ist der Prüfungsausschuss für Folgendes zuständig:

- Er dient als zentrale Anlaufstelle für die Kommunikation und Beaufsichtigung in Bezug auf Rechnungslegung und Berichterstattung, interne Kontrolle, Versicherungsmathematik und Compliance;
- Er kontrolliert den Prüfungsprozess der Gruppe (einschliesslich der Festlegung der Grundsätze und der Unterbreitung von Vorschlägen für die Rechnungsprüfung von Zurich Insurance Group AG und der Gruppe);
- Mindestens einmal im Jahr überprüft er die internen Kontrollstandards, einschliesslich der Tätigkeit, Planung, Organisation und Qualität der internen Revision und von Group Compliance.

  Erläuterungen zur internen Kontrolle und zu den bestehenden internen Kontrollmechanismen entsprechend der Richtlinie «Internal Control: Revised Guidance to Directors on the UK Corporate Governance Code» (vormals bekannt als britische Turnbull-Richtlinie) vom Oktober 2005 finden sich auf Seite 54 und Seite 55; und
- Er kontrolliert die Jahres-, Halbjahres- und Quartalsergebnisse des Konzerns, bevor sie dem Verwaltungsrat vorgelegt werden.

Aktivitäten 2012: Der Prüfungsausschuss tagte 2012 siebenmal – es nahmen 100 Prozent der Mitglieder an den Sitzungen teil. Es wurden insbesondere folgende Themen behandelt:

- Änderungen bei den Rechnungslegungsgrundsätzen (zum Beispiel IFRS 10, die im Jahr 2013 umgesetzt werden);
- Grundsätze und Angelegenheiten zur Bildung von Reserven;
- die Effektivität des Internal Control Framework;
- Arbeitspläne von Group Audit, Ergebnisse von Group Audit und Umsetzung der Abhilfemassnahmen durch die Geschäftsführung;
- die Arbeit der externen Revisoren, deren Auftragsbedingungen und die Ergebnisse des externen Revisors zu wichtigen Beurteilungen und Schätzungen in den Abschlüssen; und
- der Annual Group Compliance Plan, den er genehmigt hat und anhand dessen er den Fortschritt während des Jahres überwacht. Der Prüfungsausschuss befasste sich ausserdem mit Themen und Trends der Compliance, wie z. B. den sich verändernden Erwartungen an die Compliance-Funktion von Seiten der Aufsichtsbehörden.

Risikoausschuss

Zusammensetzung und Mitgliedschaft: Das Organisationsreglement der Zurich Insurance Group AG verlangt, dass der Risikoausschuss aus mindestens vier nicht geschäftsführenden Verwaltungsratsmitgliedern besteht, die von der Geschäftsführung unabhängig sind. Aktuell wirken die Herren Tom de Swaan (Vorsitzender), Don Nicolaisen, Armin Meyer und Frau Susan Bies in diesem Ausschuss mit.

Um den reibungslosen Informationsaustausch zwischen Risiko- und Prüfungsausschuss zu verbessern, ist der Vorsitzende des Prüfungsausschusses gleichzeitig Mitglied des Risikoausschusses und ein Mitglied des Risikoausschusses Mitglied des Prüfungsausschusses. Der Verwaltungsratspräsident nimmt regelmässig als Gast an den Sitzungen des Risiko- und des Prüfungsausschusses teil.

Bericht über die Corporate Governance *fortgesetzt*

Hauptaufgaben und Verantwortlichkeiten: Im Allgemeinen ist der Risikoausschuss für Folgendes zuständig:

- Er überwacht das Risikomanagement der Gruppe, insbesondere deren Risikotoleranz. Dazu gehören festgelegte Obergrenzen, die vom Verwaltungsrat als für Zurich tragbar erachtet werden, ebenso wie die Aggregation festgelegter Obergrenzen auf Gruppenebene, die Überwachung der Einhaltung festgesetzter Risikogrenzen sowie die Risikotoleranz der Gruppe in Bezug auf die erwartete Höhe des Risikokapitals;

- Darüber hinaus prüft er die gruppenweite Governance in diesem Bereich, einschliesslich Risikomanagement und Risikokontrolle, Risikopolitik, deren Umsetzung und Risikostrategie und Überwachung der operativen Risiken;

- Er kontrolliert die bei der Risikobemessung angewendeten Methoden und die Einhaltung der Risikoobergrenzen der Gruppe und überprüft die Leistung der Risikomanagement-Funktion;

- Er prüft zusammen mit der Geschäftsleitung und dem Group Risk Management die allgemeinen Richtlinien und Vorgehensweisen der Gruppe und überzeugt sich davon, dass ein funktionierendes Risikomanagementsystem besteht und aufrechterhalten wird; und

- Er wird regelmässig von Risikomanagement-Funktion der Gruppe informiert und beurteilt, ob wichtige Risikomanagement- und Kontrollfragen vom Management angemessen und rechtzeitig behandelt werden.

Aktivitäten 2012: Der Risikoausschuss tagte 2012 siebenmal – durchschnittlich nahmen 96 Prozent der Mitglieder an den Sitzungen teil. Aus Sicht des unternehmensweiten Risikomanagements wurden insbesondere folgende Themen behandelt:

- die Ergebnisse der Risikoprofilbeurteilung der Gruppe sowie die Entwicklung und Beurteilung des wirtschaftlichen und regulatorischen Kapitals der Gruppe;

- die Ergebnisse der gesamten Risikoprofilbeurteilung der Gruppe, einschliesslich einer Aktualisierung der Risikoverantwortung und der Massnahmen zur Risikominderung;

- die Ergebnisse und Entwicklung des ökonomischen Risikokapitals und des aufsichtsrechtlichen Eigenkapitals;

- die jährliche Prüfung der Zurich Risk Policy (ZRP), einschliesslich der Bestätigung neuer und geänderter Kapitel;

- aktuelle Risikothemen, wie z. B. Gespräche zum Thema systemrelevante Finanzinstitute (SIFI);

- Kreditrisiken und -kontrollen, einschliesslich eines Berichts zu derivativen Finanzinstrumenten;

- operative Risiken und Kontrollen, wie z. B. ein Update zur Datensicherheitsinitiative und dem Risikorahmen für Beschaffung/Offshoring; und

- bei der jährlichen gemeinsamen Tagung mit dem Entschädigungsausschuss wurden Aspekte des Risikomanagements der Vergütungsstruktur der Gruppe besprochen.

Zudem befasste sich der Risikoausschuss aus der Risikosicht der Segmente und Regionen mit folgenden Themen:

- Risiken und Kontrollen im Segment Gerneral Insurance, insbesondere Aspekte des Rückversicherungs- und Katastrophenprogramms und Akkumulationsmanagement;

- Risiken und Kontrollen im Segment Global Life, wie z. B. Produktgenehmigungen/neue Produkte und Limiten;

- Risiken und -Kontrollen in den Bereichen Anlage und Asset/Liability Management; und

- bei vertieften Sitzungen wurden Risiken und Kontrollen aus regionaler und geschäftlicher Sicht besprochen, z. B. die Katastrophenpläne für die Eurozone und von Zurich North America und Latin America allgemein.

Weitere Informationen zur Risk Governance finden Sie unter der Risk Review auf den Seiten 111–161.

Verantwortungsbereiche von Verwaltungsrat und Management

Der Verwaltungsrat ist für die Bestimmung der Gesamtstrategie der Gruppe, die Überwachung des Managements und für bedeutende Fragestellungen im Zusammenhang mit Strategie, Finanzen, Struktur, Organisation und Geschäftsentwicklung zuständig. Der Verwaltungsrat genehmigt insbesondere den strategischen Plan der Gruppe sowie die von der Geschäftsleitung erarbeiteten jährlichen Finanzpläne und überprüft und genehmigt die Jahres-, Halbjahres- und Quartalsabschlüsse von Zurich Insurance Group AG und der Gruppe. Einzelheiten zu den Verantwortlichkeiten des Verwaltungsrats finden sich auf S. 33–34.

Abgesehen von den oben erwähnten Kompetenzen hat der Verwaltungsrat die Leitung der Gruppe dem Chief Executive Officer übertragen. Der Chief Executive Officer und – unter seiner Aufsicht – die Konzernleitung sind verantwortlich für die Entwicklung und Umsetzung der vom Verwaltungsrat genehmigten Strategie- und Finanzpläne. Dem Chief Executive Officer obliegen spezifische Aufgaben und Pflichten hinsichtlich strategischer, finanzieller und weiterer Angelegenheiten sowie bezüglich der Struktur und Organisation der Gruppe. Er leitet, überwacht und koordiniert die Aktivitäten der Mitglieder der Konzernleitung. Er stellt sicher, dass für die Gruppe angemessene Management-Tools entwickelt und implementiert werden und vertritt die Gesamtinteressen der Gruppe. Der Chief Executive Officer verfügt über die delegierte Kompetenz, gewisse Akquisitionen und Devestitionen von Geschäften oder Aktiven, Kapitalanlagen, den Aufbau neuer Geschäftseinheiten, Fusionen, Joint Ventures und Kooperationen zu genehmigen.

Informations- und Kontrollinstrumente gegenüber der Konzernleitung

Der Verwaltungsrat beaufsichtigt die Konzernleitung und überwacht ihre Leistungen mit einem entsprechenden Berichtswesen und mit entsprechenden Controlling-Prozessen. Die regelmässige Berichterstattung durch den Chief Executive Officer und andere Führungskräfte an den Verwaltungsrat liefert angemessene Informationen und Statusberichte. Dazu gehören wichtige Daten über die Kerngeschäfte, Finanzinformationen, Informationen über bestehende und drohende Risiken, Entwicklungen in wichtigen Märkten und bei wichtigen Konkurrenten sowie Informationen über andere bedeutende Ereignisse. Der Verwaltungsratspräsident trifft sich regelmässig mit dem Chief Executive Officer. Er trifft sich ausserhalb der regulären Sitzungen gelegentlich auch mit allen anderen Mitgliedern der Konzernleitung sowie mit Führungskräften. Ebenso verfahren auch die anderen Mitglieder des Verwaltungsrats; sie treffen sich vor allem mit dem Chief Financial Officer und dem Chief Risk Officer.

Die Gruppe besitzt ein koordiniertes und formalisiertes Konzept für das Risikomanagement und die Risikokontrolle. Informationen zum Risikomanagementprozess der Gruppe sind in der Risk Review ab Seite 111 zu finden. Die Erklärung zum Risikomanagement und zur internen Kontrolle auf S. 54 und 55 beschreibt den Ansatz der Gruppe bezüglich Risikomanagement und interner Kontrolle entsprechend der Richtlinie «Internal Control: Revised Guidance to Directors on the UK Corporate Governance Code»(vormals bekannt als britische Turnbull-Richtlinie) vom Oktober 2005.

Die interne Revision, die externen Revisoren und die Compliance-Funktion unterstützen den Verwaltungsrat bei der Wahrnehmung seiner Kontroll- und Überwachungsaufgaben. Informationen zu den wichtigsten Tätigkeiten dieser Funktionen finden sich auf den Seiten 51–54.

Konzernleitung

Es ist Zurichs Ambition, der beste Versicherungskonzern aus Sicht der Aktionäre, Kunden und Mitarbeitenden zu werden. Die Konzernleitung strebt danach, diese Ambition zu verwirklichen.

1 Martin Senn
Chief Executive Officer

2 Jeff Dailey[1]
Chief Executive Officer, Farmers Group, Inc.

3 Mike Foley
Chief Executive Officer
North America Commercial,
Regional Chairman of North America

4 Yannick Hausmann[2]
Group General Counsel

5 Kevin Hogan
Chief Executive Officer
Global Life

6 Michael Kerner[3]
Chief Executive Officer
General Insurance

7 Axel P. Lehmann
Chief Risk Officer,
Regional Chairman of Europe

8 Cecilia Reyes
Chief Investment Officer

9 Geoff Riddell
Regional Chairman of Asia-Pacific & Middle East

10 Kristof Terryn
Group Head of Operations

11 Pierre Wauthier
Chief Financial Officer

[1] Übernahm die Funktion des Chief Executive Officer von Farmers Group, Inc. am 1. Januar 2012 und wurde am selben Datum zum Mitglied der Konzernleitung ernannt
[2] Als Mitglied der Konzernleitung zum 1. Juli 2012 ernannt
[3] Übernahm die Funktion des Chief Executive Officer General Insurance am 1. September 2012 und wurde am selben Datum zum Mitglied der Konzernleitung ernannt

Group Management
Konzernleitung

Group Management
per 31. Dezember 2012

Jene Bereiche der Konzernleitung, die nicht in den Zuständigkeitsbereich des Verwaltungsrats fallen, werden dem Chief Executive Officer übertragen. Der Chief Executive Officer und – unter seiner Aufsicht – die Konzernleitung sind für wichtige strategische, finanzielle und unternehmenspolitische Aspekte der Gruppe verantwortlich, einschliesslich konsolidierter Performance, Eigenkapitalzuteilung sowie Fusionen und Akquisitionen.

An der Spitze der Konzernleitung steht der Chief Executive Officer. Zu den Mitgliedern der Konzernleitung gehörten per 31. Dezember 2012 der Chief Financial Officer, der Chief Investment Officer, der Chief Risk Officer, der Group Head of Operations und der Group General Counsel. Um in der Konzernleitung neben den Geschäftsbereichen auch die Regionen zu berücksichtigen, waren die CEOs der Geschäftssegmente General Insurance, Global Life und Farmers sowie der Chief Executive Officer von North America Commercial, Mitglieder der Konzernleitung ebenfalls als Regional Chairmen von Europe, North America und Asia-Pacific and Middle East in der Konzernleitung tätig.

Die Gruppe fuhr mit der Vereinfachung ihrer globalen Organisationsstruktur am Hauptsitz fort und beschloss deshalb, die Funktion des Chief Administrative Officer abzuschaffen. Spezifische Bereiche, die in der Verantwortung dieser Position lagen, wurden in andere Funktionen integriert. Darüber hinaus wurde der Group General Counsel in die Konzernleitung berufen, um Angelegenheiten in den Bereichen Legal, Compliance, Government und Industry Affairs in der gesamten Gruppe und das Verwaltungsratssekretariat für Zurich Insurance Group AG, Zürich Versicherungs-Gesellschaft AG und Zürich Lebensversicherungs-Gesellschaft AG zu beaufsichtigen.

Damit die Koordination und Abstimmung der dem Chief Executive Officer zur Genehmigung vorzulegenden Empfehlungen zu spezifischen Themen vereinfacht wird, wurden für Schlüsselbereiche die folgenden funktionsübergreifenden Ausschüsse eingerichtet.

Management-Ausschüsse
Das Group Balance Sheet Committee (GBSC)

Mitglieder: Chief Executive Officer (Vorsitzender), Chief Financial Officer (stellvertretender Vorsitzender), Chief Investment Officer, Chief Risk Officer, Chief Executive Officer General Insurance, Chief Executive Officer Global Life.

Hauptaufgaben und Verantwortlichkeiten:

- überprüft als funktionsübergreifendes Gremium primär die Aktivitäten, die einen starken Einfluss auf die Bilanz der Gruppe und der Tochtergesellschaften haben; und

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- ist dafür verantwortlich, basierend auf den Strategie- und Finanzplänen des Unternehmens, die jährlichen Kapital- und Bilanzpläne der Gruppe zu erstellen. Zudem gibt das GBSC Empfehlungen zu spezifischen Transaktionen und unvorhergesehenen Änderungen in der Geschäftstätigkeit, die einen Einfluss auf die Bilanz der Gruppe haben, ab;
- überwacht alle Faktoren, die die Bilanz der Gruppe primär beeinflussen, dazu gehören vor allem das Kapitalmanagement, Rückversicherung, das Asset/Liability Management, die Dividenden- und Aktienrückkaufrichtlinien, Liquidität, Fremdkapitalaufnahme, Ratingagenturen sowie andere bilanzerhebliche Angelegenheiten und Themen, die unter anderem anhand des Internal Zurich Economic Capital Model gemessen werden.

Die Mitglieder des Group Finance and Risk Committee (GFRC): Chief Financial Officer (Vorsitzender), Chief Risk Officer (stellvertretender Vorsitzender), Chief Investment Officer, Group General Counsel, Head of Mergers & Acquisitions.

Hauptaufgaben und Verantwortlichkeiten:

- ist als funktionsübergreifendes Organ für Finanz- und Risikomanagementangelegenheiten unter Berücksichtigung der Strategie und der gesamten Geschäftstätigkeit der Gruppe zuständig;
- überwacht die finanziellen Implikationen von Geschäftsentscheidungen und die effektive Steuerung des Gesamtrisikoprofils der Gruppe. Dies umfasst Versicherungs- und Finanzmarktrisiken, Risiken im Bereich Asset/Liability, Kredit- und operationelle Risiken und deren Zusammenwirken; und
- gibt Empfehlungen für künftige Massnahmen im Zusammenhang mit möglichen Merger & Acquisition-Transaktionen sowie bezüglich Finanz- und Risikomanagementfragen.

Mit technischen Fragen befasste Ausschüsse

Neben den Management-Ausschüssen sieht die Governance-Struktur der Gruppe auch mit Fragen technischer Art befasste Ausschüsse vor, die die Geschäftstätigkeit von Zurich in verschiedener Hinsicht unterstützen.

Das Asset/Liability Management Investment Committee unter der Leitung des Chief Investment Officer ist als funktionsübergreifendes Organ in erster Linie für die Überwachung und Prüfung des Asset/Liability Managements der Gruppe und die strategische Asset Allocation der angelegten Aktiven von Zurich zuständig.

Das Group Reinsurance Committee unter der Leitung des Global Head of Group Reinsurance leitet den Rückversicherungsgeschäftsprozess der Gruppe und ist für die Definition und Umsetzung der Rückversicherungsstrategie der Gruppe in Abstimmung mit deren Risikostruktur zuständig. Darüber hinaus regelt es die Rückversicherungstätigkeit zwischen den Segmenten und stellt sicher, dass diese zu wirtschaftlichen Bedingungen Zugang zur erforderlichen Rückversicherungskapazität haben.

Das General Insurance Global Underwriting Committee unter der Leitung des Chief Underwriting Officer General Insurance ist die zentrale Anlaufstelle für die Underwriting-Funktion innerhalb des Segments Schadenversicherung. Insbesondere genehmigt der Ausschuss Underwriting und verbundene Kontrollrichtlinien, entwickelt und vereinbart die Underwriting-Strategie der Gruppe, überwacht die Akkumulationskontrolle und genehmigt Pläne zur Risikominderung. Zudem ist er für die Genehmigung neuer Captive-Geschäfte (oder Erneuerungen) und neuer Produkte verantwortlich. Schliesslich beaufsichtigt und überwacht er technische Zeichnungsprüfungen.

Das Group Pension Committee unter der Leitung des Chief Executive Officer Global Life ist für die Entwicklung und Umsetzung eines Governance-Rahmens, einschliesslich der entsprechenden Richtlinien und Verfahren zu pensionsbezogenen Angelegenheiten, zuständig. Der Ausschuss ist für die Aufsicht und Führung aller Pensionspläne und finanzierten Leistungspläne bezüglich Rechnungslegung, Art der Leistungen, Finanzierung und Anlage zuständig und gibt dem GBSC Empfehlungen in pensionsbezogenen Angelegenheiten.

Gremien

Die Gruppe legt Wert auf die Meinung externer Experten, um mögliche Herausforderungen und Risiken besser verstehen und beurteilen zu können. Ende 2012 hatte die Gruppe drei Gremien mit führenden Akademikern sowie Unternehmens- und Branchenexperten, die Feedback und Erkenntnisse lieferten. Dabei handelt es sich nicht um Organe der Gruppe. Ebenso verfügen die Gremien über keinerlei Entscheidungsbefugnisse. Sie stehen der Geschäftsleitung oder gewissen Funktionen der Gruppe lediglich mit Know-how oder beratend zur Seite. Der International Advisory Council hat die Aufgabe, dem Chief Executive Officer sowie den Mitgliedern der Konzernleitung seine Sicht und Expertenmeinung zu Wachstum und Public-Policy-Strategien der Gruppe darzulegen. Der Investment Management Advisory Council gibt Feedback zu den Anlageergebnissen und -strategien von Zurich und äussert sich zu der Frage, wie in Relation zu den Risiken der Verbindlichkeiten hochwertige risikobereinigte Anlagerenditen erzielt werden können. Der Natural Catastrophe Adivsory Council liefert Erkenntnisse zu Häufigkeit, Vorhersehbarkeit und Zerstörungskraft von Katastrophen und liefert Feedback zu den von Zurich in diesem Bereich getroffenen Massnahmen zur Verbesserung der Effizienz des Underwriting und des Erwerbs von Rückversicherungsdeckung.

Mitglieder der Konzernleitung per 31. Dezember 2012

Name	Nationalität	Jahrgang	Position
Martin Senn	Schweiz	1957	Chief Executive Officer
Jeff Dailey	USA	1957	Chief Executive Officer Farmers Group, Inc.
Mike Foley	USA	1962	Chief Executive Officer North America Commercial & Regional Chairman of North America
Yannick Hausmann	Schweiz	1967	Group General Counsel
Kevin Hogan	USA	1962	Chief Executive Officer Global Life
Michael Kerner	USA	1965	Chief Executive Officer General Insurance
Axel Lehmann	Schweiz	1959	Chief Risk Officer & Regional Chairman of Europe
Cecila Reyes	Schweiz/Philippinen	1959	Chief Investment Officer
Geoff Riddell	Grossbritannien	1956	Regional Chairman of Asia Pacific & Middle East
Kristof Terryn	Belgien	1967	Group Head of Operations
Pierre Wauthier	Frankreich/Grossbritannien	1960	Chief Financial Officer

Alle Mitglieder ausser Yannick Hausmann und Michael Kerner waren während des gesamten Jahres 2012 in der Konzernleitung tätig. Yannick Hausmann wurde per 1. Juli 2012 zum Mitglied der Konzernleitung ernannt. Michael Kerner wurde per 1. September 2012 zum Chief Executive Officer General Insurance und zum Mitglied der Konzernleitung ernannt und folgte Mario Greco nach, der per 4. Juni 2012 von der Konzernleitung und seiner Funktion als Chief Executive Officer General Insurance zurückgetreten ist. Christian Orator trat per 30. Juni 2012 von der Konzernleitung und seiner Funktion als Chief Administrative Officer zurück.

Informationen zu vertraglichen Abfindungen finden sich auf Seite 50.

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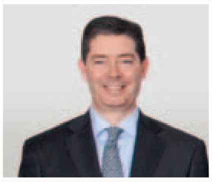
Biografien

Martin Senn (1957), Schweizer Staatsbürger
Chief Executive Officer
Fähigkeiten und Erfahrung: Herr Senn arbeitete von 1976 bis 1994 als Bankfachmann beim damaligen Bankverein unter anderem als Treasurer in Hongkong und Regional Treasurer für Asien und den pazifischen Raum in Singapur, bevor er schliesslich die Führung der Bankverein-Niederlassung in Tokio übernahm. 1994 wechselte er zur Credit Suisse, wo er Führungsaufgaben als Treasurer für den Hauptsitz und für Europa sowie als Chairman der Credit Suisse Gruppe in Japan übernahm. Im Rahmen seines Mandats in Japan nahm er die Umstrukturierung und Neupositionierung der japanischen Tochtergesellschaften der Credit Suisse vor. Im Jahr 2001 wurde er zum Mitglied der Geschäftsleitung der Credit Suisse und Leiter des Bereichs Trading and Investment Services ernannt. Von 2003 bis 2006 war er Chief Investment Officer und Mitglied der Geschäftsleitung der Swiss-Life-Gruppe. Herr Senn kam 2006 als Chief Investment Officer zu Zurich und wurde Mitglied der Konzernleitung. Per 1. Januar 2010 wurde er Chief Executive Officer.
Externe Ernennungen: Herr Senn übt leitende Funktionen in verschiedenen Geschäfts- und Branchenorganisationen aus, darunter Avenir Suisse, die Zurich Association of Economics, die Swiss-American Chamber of Commerce, die Geneva Association und das Institute of International Finance (IIF). Daneben ist er Vertreter des Property and Casualty CEO Roundtable, Mitglied des Pan European Insurance Forum (PEIF), des European Financial Services Roundtable (EFR), des Advisory Board der Tsinghua School of Economics and Management sowie des International Advisory Board des Atlantic Council. Zudem ist Herr Senn Mitglied des Beirats des Lucerne Festivals und fungiert als Honorarkonsul der Republik Korea in Zürich.
Ausbildung: Herr Senn schloss eine Bankausbildung an der Handelsschule Basel, Schweiz, ab und absolvierte ein International Executive Program am INSEAD in Fontainebleau sowie ein Advanced Management Program an der Harvard Business School.

Jeff Dailey (1957), amerikanischer Staatsbürger
CEO von Farmers Group Inc.
Fähigkeiten und Erfahrung: Herr Dailey verfügt über umfangreiche Erfahrungen in der Versicherungsbranche. 1980 begann er seine Karriere bei der Mutual Service Insurance Company und war bald auch für die Progressive Insurance Company tätig. Er gründete später die Reliant Insurance Company, ein Start-up-Unternehmen im Bereich Autoversicherungen, das sich im Besitz der Reliance Group Holdings befand und 2001 an Bristol West Holdings, Inc. verkauft wurde. Von 2001 bis 2004 war Herr Dailey COO von Bristol West, und 2004 wurde er im Zuge des erfolgreichen IPOs des Unternehmens an der New Yorker Börse zum Vorstandsvorsitzenden von Bristol West ernannt. 2006 wurde er CEO von Bristol West. Herr Dailey kam 2007 als Vorstandsvorsitzender des Privatkundengeschäfts zu Farmers, als Farmers Bristol West übernahm, wo er als CEO tätig war. Im Januar 2011 wurde er zum President und Chief Operating Officer (COO) von Farmers Group, Inc. befördert. Er wurde im Februar 2011 Mitglied des Verwaltungsrats der Farmers Group, Inc. Herr Dailey wurde per Januar 2012 in seine aktuelle Funktion als CEO von Farmers Group, Inc. und als Mitglied der Konzernleitung berufen.
Externe Ernennungen: Keine
Ausbildung: Herr Dailey besitzt einen Bachelor-Abschluss in Volkswirtschaft von der University of Wisconsin-Madison und einen Master-Abschluss in Betriebswirtschaft von der University of Wisconsin-Milwaukee.



Mike Foley (1962), amerikanischer Staatsbürger
CEO North America Commercial und Regional Chairman of North America
Fähigkeiten und Erfahrung: 1984 nahm Herr Foley am Financial Management Training Program der Armtek Corporation in New Haven, Connecticut, teil und kam nach seinem Abschluss an der JL Kellogg Graduate School of Management 1989 als Partner zu Deerpath Group in Lake Forest, Illinois. Dort war er später als Vizepräsident zuständig für die Verwaltung des Aktienanlageportfolios verschiedener übernommener Unternehmen. 1993 ging er als Präsident zu Electrocal, Inc, Connecticut, und wechselte 1996 zu McKinsey & Company, Chicago, Illinois, wo er später die nordamerikanische Schadenversicherungssparte führte. Herr Foley kam 2006 als Chief Operating Officer North America Commercial zu Zurich und wurde im Januar 2008 zum Chief Executive Officer dieses Geschäftsbereichs und zum Mitglied der Konzernleitung ernannt. Herr Foley ist zudem Regional Chairman of North America und Präsident des Verwaltungsrats der Zurich Holding Company of America, Inc. (ZHCA).
Externe Ernennungen: Seit 2012 ist Herr Foley Präsident des Verwaltungsrats der American Insurance Association.
Ausbildung: Herr Foley erwarb 1984 einen Abschluss als Bachelor of Science der Fairfield University, Connecticut und 1989 einen Master-Abschluss der JL Kellogg Graduate School of Management der Northwestern University in Evanston, Illinois.

Yannick Hausmann (1967), Schweizer Staatsbürger
Group General Counsel
Fähigkeiten und Erfahrung: Herr Hausmann begann seine berufliche Karriere 1995 bei einer Anwaltskanzlei in Basel. Von 1998 bis 2000 war er als Anwalt in der Steuer- und Rechtsabteilung von Arthur Andersen AG und Andersen Legal in Zürich tätig. Er war langjähriges Mitglied der Rechts- und Compliance-Gruppe des Schweizerischen Versicherungsverbandes. Herr Hausmann kam im Jahr 2000 zum Corporate Center Litigation and Investigation Team von Zurich. Seine jetzige Position hält er seit Dezember 2009, im Juli 2012 wurde er zum Mitglied der Konzernleitung befördert. Er steht weltweit allen Rechts-, Compliance- und GAIA (Government and Industry Affairs) Funktionen der Gruppe sowie dem Sekretariat des Verwaltungsrats vor.
Externe Ernennungen: Seit 2009 ist Herr Hausmann Mitglied der Rechtsausschüsse der Swiss American Chamber of Commerce und des Schweizer Wirtschaftsdachverbandes economiesuisse. Seit 2011 gehört er dem Beirat des Museums Haus Konstruktiv in Zürich an.
Ausbildung: Herr Hausmann promovierte 1995 an der Juristischen Fakultät der Universität Basel und wurde 1997 als Anwalt in der Schweiz (Kanton Basel) zugelassen. 2003 schloss er seine Ausbildung zum Master of Laws (LL.M.) an der New York University School of Law ab und hat 2012 das Advanced Management Program der Harvard Business School absolviert.

Kevin Hogan (1962), amerikanischer Staatsbürger
CEO Global Life
Fähigkeiten und Erfahrung: Kevin Hogan begann seine berufliche Laufbahn 1984 bei American International Underwriters (AIU) in New York und hatte anschliessend verschiedene leitende Positionen in Chicago, Tokio, Hongkong und Singapur inne. 1998 wurde er zum Präsidenten des Unternehmensbereichs Accident & Health von AIG in New York ernannt und 2001 zum AIG Vizepräsidenten gewählt. 2002 wurde er zudem Chief Operating Officer bei AIU. Herr Hogan war 2003 in Peking als Senior Executive von AIGs Partnerunternehmen People's Insurance Company of China tätig. 2005 wurde er Senior Executive für den Bereich Lebensversicherung von AIG für China und Taiwan; in dieser Funktion trug er die Verantwortung für AIA China und Nan-Shan. Im Jahr 2008 kehrte er als Chief Distribution Officer, Foreign Life and Retirement Services zu AIG nach New York zurück. Er kam im Dezember 2008 als Chief Executive Officer Global Life Americas zu Zurich. In dieser Funktion leitete er das Lebensversicherungsgeschäft von Zurich in Nord- und Südamerika und trug die Verantwortung für Farmers Life, Zurich American Life Insurance Company (zuvor KILICO) und das Lebensversicherungsgeschäft von Zurich in Lateinamerika. Im Juli 2010 wurde er Chief Executive Officer Global Life und Mitglied der Konzernleitung.
Externe Ernennungen: Herr Hogan ist seit 2012 als Vizepräsident des WEF Global Agenda Council on Social Security Systems tätig.
Ausbildung: Herr Hogan verfügt über einen Hochschulabschluss vom Dartmouth College in Hanover, New Hampshire.

Michael Kerner (1965), amerikanischer Staatsbürger
CEO General Insurance
Fähigkeiten und Erfahrung: Herr Kerner kam 1992 von der Continental Insurance Company zu Zurich, wo er seitdem in mehreren Führungspositionen tätig war. Unter anderem als Chief Operations Officer für Zurich North America Specialities und von 2002 bis 2005 als Head of Ceded Reinsurance von Zurich North America. Von Januar 2006 bis Juni 2007 war er Global Head of Group Reinsurance und zwischen 2007 und 2009 war Herr Kerner Global Chief Underwriting Officer für General Insurance und Head of Group Strategy in Zürich. Zuvor war er Chief Executive Officer von Zurich Global Corporate in North America.
Externe Ernennungen: Keine
Ausbildung: Herr Kerner schloss sein Studium an der State University of New York in Binghamton mit einem Bachelor of Science in Mathematik und Wirtschaft ab. Herr Kerner ist Mitglied der Casualty Actuarial Society sowie Mitglied der American Academy of Actuaries.

Bericht über die Corporate Governance *fortgesetzt*

Axel P. Lehmann (1959), Schweizer Staatsbürger
Chief Risk Officer und Regional Chairman of Europe
Fähigkeiten und Erfahrung: Herr Lehmann arbeitete als Projektleiter und wissenschaftlicher Assistent am Institut für Versicherungswirtschaft an der Universität St. Gallen. 1989 wurde er zum Lehrbeauftragten für Betriebswirtschaftslehre an der Universität St. Gallen ernannt und 1990 wurde er Vizedirektor und Leiter Consulting and Management Development am Institut für Versicherungswirtschaft und am Europäischen Zentrum. 1994 wirkte er als Gastprofessor an der Bocconi Universität in Mailand, Italien. Danach wechselte er als Leiter Corporate Planning and Corporate Controlling zur Swiss Life in Zürich. Nach seinem Wechsel zu Zurich im Jahr 1996 wurde Herr Lehmann Mitglied des Executive Management Teams bei Zurich Schweiz und war später als Leiter der Unternehmensentwicklung und des Firmenkundengeschäfts tätig. Herr Lehmann wurde im November 2000 Mitglied des Group Management Board und war für die Geschäftsentwicklungsbereiche der Gruppe verantwortlich. Ab September 2001 war er als CEO für Nord-, Zentral- und Osteuropa verantwortlich und wurde anschliessend zum Chief Executive Officer der Zurich-Gruppe Deutschland ernannt. Im März 2002 wurde Herr Lehmann zum Mitglied der Konzernleitung und zum Chief Executive Officer des Geschäftsbereichs Kontinentaleuropa ernannt. 2004 war er für die Integration der Geschäftsbereiche Grossbritannien, Irland und Südafrika in den Geschäftsbereich Kontinentaleuropa verantwortlich. Im September 2004 wurde er CEO von Zurich American Insurance Company und des Geschäftsbereichs Zurich North America Commercial in Schaumburg, Illinois. Seit Januar 2008 ist er in seiner jetzigen Position als Chief Risk Officer tätig und übernahm bis 2010 zusätzlich die Verantwortung für Group IT. Seit Juli 2011 ist er zudem Präsident des Verwaltungsrates der Farmers Group, Inc. und seit Oktober 2011 Chairman of Europe.
Externe Ernennungen: Herr Lehmann ist Mitglied des Verwaltungsrates der UBS AG und ist Mitglied und ehemaliger Präsident des CRO Forum. Herr Lehmann ist Titularprofessor für Betriebswirtschaftslehre und Dienstleistungsmanagement sowie Verwaltungsratspräsident des Instituts für Versicherungswirtschaft (I.VW-HSG) an der Universität St. Gallen in der Schweiz. Herr Lehmann ist ausserdem im Vorstand von economiesuisse.
Ausbildung: Herr Lehmann besitzt einen MBA sowie einen Doktortitel der Wirtschaftswissenschaften der Universität St.Gallen, Schweiz, wo er auch habilitiert hat. Zudem absolvierte er das Advanced Management Program der Wharton School.
Für seine Doktorarbeit erhielt er den Peter-Werhahn-Preis für die beste Dissertation des Jahres auf den Gebieten der Betriebswirtschaftslehre und der Wissenschaftstheorie. Er betrieb Forschungsstudien an der Harvard Business School und der Arizona State University.

Cecilia Reyes (1959), schweizerische und philippinische Staatsbürgerin
Chief Investment Officer
Fähigkeiten und Erfahrung: Frau Reyes verfügt über mehr als 20 Jahre Berufserfahrung im Bereich internationale Finanzmärkte. Frau Reyes arbeitete von 1990 bis 1995 in verschiedenen Positionen für Credit Suisse in Zürich in den Bereichen Credit Suisse Asset Management, Global Treasury und Securities Trading. 1995 kam sie zu ING Barings in London und wurde 1997 Director und Head of Trading Risk Analytics. Im Jahr 2000 ging sie als Head of Risk Analytics für ING Asset Management nach Amsterdam, wo sie Methoden zum Risikomanagement für den Bereich Asset Management entwickelte. Frau Reyes kam im Jahr 2001 als Regional Manager North America im Bereich Group Investments zu Zurich und war ab 2004 als Regional Manager für Europa und International Businesses tätig. Von April 2006 bis März 2010 war sie Head of Investment Strategy Implementation. Im April 2010 trat sie ihre aktuelle Position als Chief Investment Officer an.
Externe Ernennungen: Seit 2011 ist Frau Reyes Mitglied des Beirats des Instituts für Banking und Finance an der Universität Zürich.
Ausbildung: Frau Reyes besitzt einen Doktortitel in Finance von der London Business School sowie einen MBA von der University of Hawaii, USA.

Geoffrey Riddell (1956), britischer Staatsbürger
Regional Chairman of Asia Pacific & Middle East
Fähigkeiten und Erfahrung: Herr Riddell begann seine Laufbahn 1978 bei Price Waterhouse und wechselte vier Jahre später zur AIG, wo er in verschiedenen Positionen tätig war, einschliesslich als verantwortlicher Manager in Hongkong, Belgien und Frankreich. Während seines Aufenthalts in Hongkong war er für die Gründung der ersten ausländischen allgemeinen Versicherungsgesellschaft in China verantwortlich. Er kam 2000 zur Zurich-Gruppe, anfangs als Managing Director der Zurich Commercial in Grossbritannien; danach wurde er Managing Director der Geschäftsbereiche Corporate and Government in Grossbritannien. Im Jahr 2002 wurde er Chief Executive Officer des Geschäftsbereichs General Insurance in Grossbritannien, Irland und Südafrika. Im April 2004 wurde Herr Riddell zum Chief Executive Officer des Geschäftsbereichs Global Corporate und im Oktober 2004 zum Mitglied der Konzernleitung ernannt. Seit 2009 ist er als Chief Executive Officer Asia-Pacific & Middle East (APME) tätig und dabei sowohl für das Segment Global Life als auch für das Segment General Insurance dieser Region zuständig. Weiter ist er Vorsitzender von Global Corporate. Im Jahr 2010 übernahm er die neu geschaffene Position des Regional Chairman of Asia-Pacific & Middle East. Herr Riddell war Mitglied des General Insurance Council der Association of British Insurers und drei Jahre lang Leiter von dessen Liability Committee. Von 1990 bis 1995 war er Mitglied des Hong Kong Federation of Insurers Council. Von Februar 2005 bis August 2010 war er Verwaltungsratsmitglied von Pool Re, von 2007 bis Ende 2010 ebenfalls Verwaltungsratsmitglied des Forums für Global Health Protection. Ferner war er Mitglied des Confederation of British Industry's Chairmen's Committee und Vorsitzender des CBI Financial Services Council bis September 2010. Bis weit ins Jahr 2009 hinein war er zudem Mitglied des Stiftungsrats des IMD, Lausanne, des City of London EU Advisory Committee und des Lord Mayor of London's Advisory Committee.
Externe Ernennungen: Seit dem 1. April 2011 ist Herr Riddell Mitglied des General Committee der British Chamber of Commerce in Hongkong.
Ausbildung: Herr Riddell schloss ein Chemiestudium am Queen's College in Oxford ab und qualifizierte sich später als Wirtschaftsprüfer.

Kristof Terryn (1967), belgischer Staatsbürger
Group Head of Operations
Fähigkeiten und Erfahrung: Herr Terryn begann seine berufliche Laufbahn 1993 im Bankgeschäft, wo er in der Abteilung Kapitalmärkte tätig war. 1997 wechselte er zu McKinsey & Company und war dort in unterschiedlichen Positionen im Finanzdienstleistungssektor in den Niederlassungen Brüssel und Chicago tätig. 2004 kam er als Head of Planning and Performance Management zu Zurich. Im Jahr 2007 wurde er Chief Operating Officer für den Geschäftsbereich Global Corporate und übernahm im Januar 2009 die Position des Chief Operating Officer für das Segment General Insurance. In seiner aktuellen Funktion, die er 2010 antrat, ist er für die gemeinsam genutzten Dienste (Shared Services), die IT, das Beschaffungswesen sowie die Initiativen zur operativen Verbesserung der Gruppe verantwortlich.
Externe Ernennungen: Keine
Ausbildung: Herr Terryn schloss sein Rechts- und Wirtschaftsstudium an der Universität von Leuven, Belgien, ab und erwarb einen MBA an der Universität von Michigan.

Pierre Wauthier (1960), französischer und britischer Staatsbürger
Chief Financial Officer
Fähigkeiten und Erfahrung: Herr Wauthier begann seine berufliche Karriere 1982 bei KPMG. Anschliessend war er zwei Jahre im französischen Aussenministerium tätig. 1985 kam er zu J.P. Morgan in Paris, wo er verschiedene Führungsfunktionen bekleidete. 1994 kam er als Vice President zur Londoner Niederlassung von J.P. Morgan, wo er für die Produktgruppe Versicherungen verantwortlich war. Herr Wauthier kam 1996 als Corporate Credit and Investment Risk Manager zu Zurich, war von 1999 bis 2002 als Head of Investor Relations and Rating Agency Management tätig und übernahm 2002 die Funktion als Executive Vice President und Chief Financial Officer von Farmers Group, Inc., einer 100-prozentigen Tochtergesellschaft von Zurich. 2007 wurde er Group Treasurer und 2010 auch Head of Centrally Managed Businesses. Seit Oktober 2011 ist er in seiner jetzigen Position tätig.
Externe Ernennungen: Herr Wauthier ist seit 2011 Mitglied des European Insurance CFO Forum.
Ausbildung: Herr Wauthier besitzt einen Master in International Finance von der Ecole des Hautes Etudes Commerciales in Paris und einen Master-Abschluss in Privatrecht von der Sorbonne in Paris.

Bericht über die Corporate Governance *fortgesetzt*

Änderungen bei der Konzernleitung per 1. Januar 2013
Seit dem 1. Januar 2013 sind keine Veränderungen innerhalb der Konzernleitung erfolgt.

Managementverträge
Zurich Insurance Group AG hat keine wichtigen Teile der Konzernleitung vertraglich an andere Unternehmen (oder Einzelpersonen), die nicht zur Gruppe gehören (oder von ihr beschäftigt werden), übertragen.

Mitwirkungsrechte der Aktionäre
Stimmrechtsbeschränkungen und -vertretungen
Jede in das Aktienbuch eingetragene Aktie berechtigt den Inhaber zur Abgabe einer Stimme. Es gibt keine Stimmrechtsbeschränkungen.

Stimmberechtigte Aktionäre sind zur persönlichen Teilnahme an der Generalversammlung der Zurich Insurance Group AG berechtigt. Ebenfalls dürfen sie durch schriftliche Vollmachtserteilung ihr Stimmrecht auf einen anderen stimmberechtigten Aktionär oder eine andere gemäss den Statuten und einer ausführlicheren Richtlinie des Verwaltungsrats zulässige Person übertragen, damit diese sie an der Generalversammlung vertritt. Nach Massgabe der Statuten können unmündige und bevormundete Personen durch ihre gesetzlichen Vertreter, verheiratete Aktionäre durch den Ehegatten und juristische Personen durch vertretungsberechtigte Personen vertreten werden, auch wenn diese Personen selbst keine Aktionäre sind.

Darüber hinaus können Aktionäre den unabhängigen Stimmrechtsvertreter, einen statutarischen Bevollmächtigten oder einen Vertreter eines Kreditinstituts als Bevollmächtigte der hinterlegten Aktien bevollmächtigen, auch wenn diese selbst keine Aktionäre sind. Darüber hinaus bietet Zurich seinen Aktionären erstmalig die Möglichkeit, Anweisungen zur Stimmabgabe für die ordentliche Generalversammlung 2013 über die Online-Plattform Sherpany zu erteilen. Alle Aktionäre, die das entsprechende Kontoeröffnungsformular für Sherpany bis zum 17. Februar 2013 unterschrieben zurückgesendet haben, können diese Online-Option ab dem 8. März 2013 nutzen, um den unabhängigen Stimmrechtsvertreter oder den Vertreter des Unternehmens elektronisch mit der Stimmrechtsabgabe in ihrem Namen bei der ordentlichen Generalversammlung 2013 zu beauftragen. Neue Aktionäre und Aktionäre, die die Anmeldung in diesem Jahr versäumt haben, erhalten in den kommenden Jahren Gelegenheit, sich einzutragen.

Unter bestimmten Umständen kann Zurich Insurance Group AG die wirtschaftlichen Eigentümer der Namenaktien, die von professionellen Dienstleistern als Nominees verwahrt werden (z. B. Treuhandgesellschaften, Banken, professionelle Vermögensverwalter, Clearingstellen, Investmentfonds und andere von Zurich Insurance Group AG anerkannte Organisationen), zur Teilnahme an Generalversammlungen und zur Ausübung des Stimmrechts als Vertreter des jeweiligen Nominee bevollmächtigen. Weitere Einzelheiten finden Sie auf Seite 22.

Zurich Insurance Group AG hat den Aktionären bei der ordentlichen Generalversammlung am 29. März 2012 für sämtliche Beschlüsse Geräte für das elektronische Abstimmungsverfahren zur Verfügung gestellt. In Übereinstimmung mit der schweizerischen Praxis informiert Zurich Insurance Group AG zu Beginn der Generalversammlung alle Aktionäre über die Gesamtzahl der in Vertretung abgegebenen Stimmen.

Statutarische Quoren
Gemäss den Statuten ist die Generalversammlung unabhängig von der Anzahl der anwesenden Aktionäre und der vertretenen Aktien beschlussfähig. Beschlüsse und Wahlen erfordern die Zustimmung einer einfachen Mehrheit der abgegebenen Stimmen, unter Ausschluss der Stimmenthaltungen, leeren und ungültigen Stimmen, es sei denn, die Statuten (was jedoch nicht der Fall ist) oder zwingende gesetzliche Bestimmungen sähen eine andere Regelung vor. Gemäss Artikel 704 des Schweizerischen Obligationenrechts sind zwei Drittel der abgegebenen Stimmen und die absolute Mehrheit der vertretenen Aktiennennwerte für bestimmte wichtige Beschlüsse erforderlich, wie beispielsweise eine Änderung des Gesellschaftszwecks und des Gesellschaftssitzes, die Auflösung der Gesellschaft sowie Anträge im Zusammenhang mit der Kapitalerhöhung. Bei Stimmengleichheit entscheidet der Präsident des Verwaltungsrats.

Einberufung der Generalversammlung
Die Generalversammlungen werden vom Verwaltungsrat einberufen oder, falls erforderlich, von Revisoren und anderen Organen nach Massgabe der Artikel 699 und 700 des Schweizerischen Obligationenrechts. Aktionäre mit Stimmrecht, die zusammen mindestens 10 Prozent des Aktienkapitals halten, können, unter Angabe der Verhandlungsgegenstände und der damit zusammenhängenden Anträge, eine Generalversammlung einberufen. Die Einladung an die Aktionäre erfolgt mindestens 20 Kalendertage vor der Generalversammlung per Post und wird zusätzlich im Schweizerischen Handelsamtsblatt und in verschiedenen Zeitungen veröffentlicht.

Tagesordnung
Der Verwaltungsrat ist für die Festlegung der Tagesordnung und deren Versand an Aktionäre verantwortlich. Aktionäre mit Stimmrecht, die zusammen Aktien im Nennwert von mindestens CHF 10'000 vertreten, können schriftlich bis spätestens 45 Tage vor der Generalversammlung die Traktandierung von Anträgen verlangen.

Eintragungen in das Aktienbuch
Im Hinblick auf ein ordnungsgemässes Verfahren legt der Verwaltungsrat kurz vor dem Termin der Generalversammlung einen Stichtag fest, an dem die Aktionäre im Aktienbuch eingetragen sein müssen, um ihre Mitwirkungsrechte bei der Teilnahme an der Generalversammlung ausüben zu können. Der Stichtag wird zusammen mit der Einladung zur Generalversammlung im Schweizerischen Handelsamtsblatt und in verschiedenen Zeitungen veröffentlicht.

Informationspolitik
Per 31. Dezember 2012 hat Zurich Insurance Group AG rund 125'000 im Aktienbuch eingetragene Aktionäre – von privaten Aktionären bis zu grossen institutionellen Anlegern (Einzelheiten hierzu finden sich auf Seite 355). Jeder eingetragene Aktionär erhält eine Einladung zu einer Generalversammlung. Briefe an die Aktionäre geben einen Überblick über die Geschäftstätigkeit der Gruppe im Jahresfortschritt und legen die finanzielle Performance dar. Ein umfassenderer Bericht über die Geschäftsentwicklung, der Geschäftsbericht und der Halbjahresbericht sind auf der Webseite von Zurich – www.zurich.com (http://www.zurich.com/investors/shareholderinformation/) – abrufbar und auf Anfrage auch in gedruckter Form erhältlich. Zu Informationen über die vierteljährliche Ergebnisberichterstattung haben alle Aktionäre ebenfalls über die Webseite von Zurich Zugang.

Zurich Insurance Group AG pflegt über die Abteilung Investor Relations einen regelmässigen Dialog mit den Investoren und steht institutionellen und privaten Aktionären bei Fragen und Anliegen zur Verfügung. Darüber hinaus organisiert Zurich Insurance Group AG Investorentage für institutionelle Investoren und Analysten, an denen ausführlich über die Geschäftsentwicklung und die strategische Ausrichtung informiert wird. Solche Präsentationen können live via Webcast oder via Telefonkonferenz mitverfolgt werden. Die Schwerpunkte des Investorentags 2012, der am 29. November in Zürich stattfand, waren die Fortschritte in der Umsetzung der Ziele der Gruppe für 2013 sowie Präsentationen des Chief Executive Officer und der CEOs der Geschäftssegmente. Der CFO gab einen aktuellen Überblick zum Kapitalmanagement und dem Kapitalfluss und der CFO des Segments Global Life gewährte Einblicke in den Kapitalfluss des Lebensversicherungsgeschäfts. Schliesslich gab das Managementteam für Lateinamerika Einblick in die geschäftlichen Chancen, die ihre Region bietet. Ein weiterer Investorentag ist für 2013 geplant. Zahlreiche Informationen zur Gruppe und zu ihren Geschäftsbereichen – einschliesslich der oben genannten Dokumente zur Berichterstattung über die Ergebnisse und der gesamten im Rahmen der Investorentage zur Verfügung gestellten Unterlagen – finden sich auch im Bereich Investor Relations auf der Webseite von Zurich: www.zurich.com (http://www.zurich.com/investors).

Die nächste ordentliche Generalversammlung der Zurich Insurance Group AG findet am 4. April 2013 statt. Die Generalversammlung findet im Hallenstadion in Zürich-Oerlikon statt. Die entsprechende Einladung mit der Traktandenliste und den Erläuterungen zu den Anträgen wird den Aktionären mindestens 20 Tage vor der Generalversammlung zugestellt.

Adressen und weitere wichtige Informationen finden Sie unter Aktionärsinformationen ab S. 354 (siehe insbesondere «Wichtige Daten» auf S. 356).

Mitarbeitende
Die Anstellungs- und Förderungspolitik der Gruppe ist darauf ausgerichtet, Mitarbeitenden Chancengleichheit zu bieten, wobei Fähigkeiten, Erfahrung, Know-how, Integrität und Vielfalt im Mittelpunkt stehen. Die Gruppe fördert die Einbeziehung der Mitarbeitenden in die Unternehmensprozesse, unter anderem durch Print- und Online-Publikationen, Teamsitzungen und regelmässigen Treffen mit den Mitarbeitervertretern. Weitere Informationen zu Aktivitäten der Gruppe im Bereich Mitarbeiterführung finden Sie im Bericht über die Geschäftsentwicklung beginnend auf S. 12. Dieser ist auch auf der Webseite von Zurich – www.zurich.com (http://www.zurich.com/internet/main/sitecollectiondocuments/financial-reports/annual-review-2012-de.pdf) – abrufbar.

Die Gruppe ist Vertragspartnerin einer freiwilligen Vereinbarung mit Mitarbeitervertretern der Gruppengesellschaften in Europa, durch welche der Informationsaustausch und die Beratung zwischen Mitgliedern der Geschäftsleitung und den Mitarbeitervertretern erleichtert wird. In einigen Ländern besitzt die Gruppe breit abgestützte Aktienbeteiligungs- und Incentive-Programme, in deren Rahmen die Mitarbeiterbeteiligung im Unternehmen gefördert werden soll.

Bericht über die Corporate Governance *fortgesetzt*

Kontrollwechsel und Abwehrmassnahmen

Pflicht zur Unterbreitung eines Angebots

Die Statuten der Zurich Insurance Group AG sehen keine Opting-out- oder Opting-up-Bestimmung im Sinne von Artikel 22 und 32 des Bundesgesetzes über die Börsen und den Effektenhandel vor. Daher sind Aktionäre bzw. in gemeinsamer Absprache handelnde Gruppen von Aktionären dazu verpflichtet, ein Angebot zu unterbreiten, wenn sie mehr als 33⅓ Prozent des ausgegebenen Aktienkapitals der Zurich Insurance Group AG halten.

Change-of-Control-Klauseln

Mit Mitgliedern der Konzernleitung wurden Arbeitsverträge abgeschlossen, die die Anstellungsbedingungen regeln. Die längste Kündigungsfrist für Mitglieder der Konzernleitung beträgt zwölf Monate. Im Fall eines Kontrollwechsels sind keine zusätzlichen Abfindungen vorgesehen.

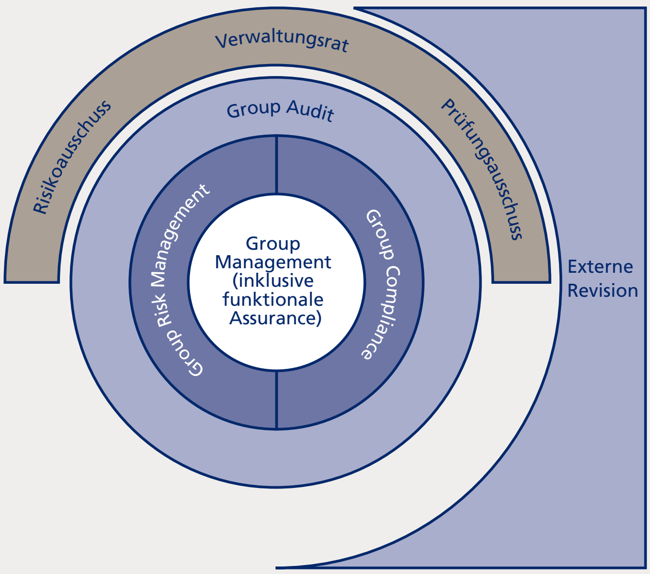
In den Aktienbeteiligungsplänen der Gruppe sind Vorschriften zu den Auswirkungen veränderter Eigentumsverhältnisse enthalten. Diese sehen vor, dass der Plan-Administrator (entweder der Entschädigungsausschuss oder der Chief Executive Officer) im Falle veränderter Eigentumsverhältnisse das Recht hat, bestehende Ansprüche auf Aktien in neue Rechte auf Aktien umzuwandeln oder eine Gegenleistung für nicht übertragene Ansprüche zu erbringen. Mitarbeitende, die an diesem Plan partizipieren und infolge veränderter Eigentumsverhältnisse ihre Arbeitsstelle verlieren, haben das Recht auf eine Umwandlung ihrer Ansprüche in Aktien. Im Fall eines Kontrollwechsels sind für Mitglieder der Geschäftsleitung der Gruppe keine zusätzlichen Abfindungen vorgesehen.

Für die Mitglieder des Verwaltungsrats sind im Falle eines Kontrollwechsels keine Abfindungen vorgesehen.

Assurance bei Zurich Insurance Group

Bei Zurich wirken verschiedene Governance- und Kontrollfunktionen zusammen, um sicherzustellen, dass Risiken identifiziert und angemessen verwaltet werden und dass interne Kontrollen vorhanden sind und effektiv eingesetzt werden. Dieses Zusammenwirken wird als «integrierte Bewertung und Assurance» bezeichnet. Der Verwaltungsrat ist letztlich für die Überwachung dieser Assurance-Aktivitäten verantwortlich. Obwohl jeder Assurance-Anbieter über sein eigenes Mandat und seine eigenen Verantwortlichkeiten verfügt, sind die Assurance-Anbieter eng aufeinander abgestimmt und arbeiten über einen regelmässigen Austausch zu Informationen, Planung und sonstigen Aktivitäten zusammen. Dieser Ansatz unterstützt das Management bei seinen Verantwortlichkeiten und schafft Vertrauen, dass Risiken angemessen berücksichtigt werden und dass die entsprechenden Massnahmen zur Risikominderung umgesetzt werden.

Assurance bei Zurich Insurance Group
per 31. Dezember 2012



Group Management:
Group Management ist verantwortlich für die Prozesse, Kontrollen und technischen Prüfungen in Bezug auf Assurance-Aktivitäten. Dazu gehören Assurance-Aufgaben, die von den Prüfungsfunktionen (z.B. Underwriting, Actuarial, Claims) sowie den Funktionen Legal und Finance durchgeführt werden.

Aufsicht:
Group Risk Management ist verantwortlich für das Rahmenwerk des Risikomanagements bei Zurich. Der Chief Risk Officer informiert den CEO, die Ausschüsse des Senior Managements und den Risikoausschuss des Verwaltungsrats regelmässig über Risikothemen.

Group Compliance ist gegenüber dem Management dafür verantwortlich, dass Compliance-Risiken innerhalb ihres Mandats ordnungsgemäss erkannt und kontrolliert werden. Der Group Compliance Officer berichtet regelmässig an den Prüfungsausschuss und verfügt über eine zusätzliche Berichtlinie zum Vorsitzenden des Prüfungsausschusses und angemessenen Zugang zum Verwaltungsratspräsidenten.

Unabhängige Assurance:
Group Audit ist verantwortlich für die Prüfung von Risikomanagement, Kontroll- und Governance-Prozessen. Der Head of Group Audit trifft sich regelmässig mit dem Verwaltungsratspräsidenten und nimmt an allen Sitzungen des Prüfungsausschusses teil.

Die externe Revision ist verantwortlich für die Prüfung der Abschlüsse der Gruppe und der Compliance von Zurich mit spezifischen aufsichtsbehördlichen Vorgaben. Der Prüfungsausschuss trifft sich regelmässig mit den externen Revisoren.

Verwaltungsrat – Prüfungsausschuss und Risikoausschuss:
Der Verwaltungsrat ist letztlich verantwortlich für die Überwachung der Assurance-Aktivitäten. Der Prüfungs- und der Risikoausschuss erhalten im Laufe des Jahres regelmässig aktuelle Informationen von Group Risk Management, Group Audit, der externen Revision und Group Compliance.

Externe Revision

Dauer des Mandats und Amtszeit des leitenden Revisors

PricewaterhouseCoopers AG, Birchstrasse 160, in 8050 Zürich (PwC), ist die externe Revisionsstelle der Zurich Insurance Group AG.

PwC übernimmt sämtliche Prüfungen, die vom Gesetz und von den Statuten der Zurich Insurance Group AG vorgeschrieben sind. Die externe Revisionsstelle wird von den Aktionären der Zurich Insurance Group AG jährlich neu gewählt. Bei der ordentlichen Generalversammlung vom 29. März 2012 wurde PwC von den Aktionären der Zurich Insurance Group AG wiedergewählt. Der Verwaltungsrat beantragt bei der nächsten ordentlichen Generalversammlung, PwC als externe Revisionsstelle und Konzernprüfer für das Geschäftsjahr 2013 wiederzuwählen. PwC erfüllt alle Anforderungen des Bundesgesetzes für die Zulassung und Beaufsichtigung der Revisorinnen und Revisoren (Revisionsaufsichtsgesetz – RAG) und wurde von der Schweizerischen Revisionsaufsichtsbehörde als eingetragenes Revisionsunternehmen zugelassen.

Bericht über die Corporate Governance *fortgesetzt*

PwC bzw. seine Vorgängerunternehmen Coopers & Lybrand und Schweizerische Treuhandgesellschaft AG sind seit dem 11. Mai 1983 als externe Revisionsstelle für Zurich Insurance Group AG und deren Vorgängerunternehmen tätig. 2000 und 2007 fanden Ausschreibungen statt, bei denen die grössten Wirtschaftsprüfungsunternehmen aufgefordert wurden, ihre Arbeitsprogramme und Angebote zu unterbreiten. Nach genauer Prüfung befand die Gruppe in beiden Fällen das Arbeitsprogramm sowie das Angebot von PwC als am besten und schlug deshalb die Wiederwahl von PwC vor.

Herr Richard Burger von PricewaterhouseCoopers AG ist seit Anfang 2011 leitender Revisor und bleibt bis zum Ende des Geschäftsjahres 2012 in dieser Funktion tätig. Er war seit 2008 der verantwortliche leitende Revisor für die regulatorische und gesetzliche Prüfung. Die Gruppe verlangt, dass der leitende Revisor alle fünf Jahre wechselt. Herr Stephen O'Hearn hat Herrn Patrick Shouvlin als Global Relationship Partner ersetzt und hat den Revisionsbericht für 2012 mitunterzeichnet.

Revisionshonorar

Insgesamt beliefen sich die vom Konzernprüfer im Jahr 2012 in Rechnung gestellten Revisionshonorare (einschliesslich Auslagen und Mehrwertsteuer) auf USD 43,9 Mio. (USD 38,0 Mio. im Jahr 2011).

Zusätzliche Honorare

Insgesamt beliefen sich die Honorare (einschliesslich Auslagen und Mehrwertsteuer) für zusätzliche Dienstleistungen (z. B. Steuerdienstleistungen, Transaktionsberatungsdienste oder notwendige Sonderprüfungen aufgrund von Erfordernissen lokaler Gesetze oder behördlicher Organe), die im Jahr 2012 vom Konzernprüfer und den mit ihm verbundenen Unternehmen für Zurich Insurance Group AG bzw. für Unternehmen der Gruppe erbracht wurden, auf USD 6,4 Mio. (USD 4,6 Mio. im Jahr 2011). Die zusätzlichen Honorare waren folgende:

Revisionshonorar und zusätzliche Honorare

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	2012	2011
Total Revisionshonorare	**43,9**	**38,0**
Total zusätzliche Honorare	**6,4**	**4,6**
– Beratung in Steuerangelegenheiten	0,8	0,5
– Rechtsberatung	0,0	0,0
– Transaktionsberatung einschl. Due Diligence	0,1	0,1
– Revisionsbezogene Beratung	4,0	2,3
– Sonstige	1,5	1,7

Überwachung und Kontrolle des externen Prüfungsprozesses

Der Prüfungsausschuss des Verwaltungsrats trifft sich regelmässig, mindestens viermal jährlich, mit den externen Revisoren. Im Jahr 2012 fanden sieben solcher Treffen statt. Die externen Revisoren treffen sich regelmässig mit dem Prüfungsausschuss ohne das Beisein der Konzernleitung. Auf der Grundlage schriftlicher Berichte erörtert der Prüfungsausschuss mit den externen Revisoren die Qualität des Finanz- und Rechnungswesens der Gruppe und nimmt Vorschläge der externen Revisoren entgegen. Diskutiert werden dabei unter anderem eine Verstärkung der internen Finanzkontrollen, die massgeblichen Rechnungslegungsgrundsätze und die Management-Reporting-Systeme. Im Zusammenhang mit der Rechnungsprüfung erhält der Prüfungsausschuss von den externen Revisoren rechtzeitig einen Bericht zur geprüften Jahresrechnung der Zurich Insurance Group AG und der Gruppe.

Der Prüfungsausschuss überwacht die Arbeit der externen Revisoren. Mindestens einmal jährlich überprüft er Qualifikation, Leistung und Unabhängigkeit der externen Revisoren sowie alle Umstände, die ihre Objektivität und Unabhängigkeit belasten könnten, und zwar auf der Grundlage eines von den externen Revisoren erstellten schriftlichen Berichts, in dem ihre internen Qualitätskontrollprozesse, wichtige auftretende Fragen und Anliegen sowie sämtliche Beziehungen zwischen den externen Revisoren und der Gruppe und/oder ihren Mitarbeitenden, welche die Unabhängigkeit der externen Revisoren beeinträchtigen könnten, erläutert werden. Der Prüfungsausschuss bewertet die Zusammenarbeit mit den externen Revisoren im Zuge der Revision. Er eruiert die Einschätzungen des Managements bezüglich der Leistung (basierend auf Kriterien wie dem Verständnis des Geschäfts von Zurich, des technischen Know-hows, der Erfahrung etc.) und der Qualität der Arbeitsbeziehung (Reaktionsfreude und -schnelligkeit seitens der externen Revisoren in Bezug auf die Bedürfnisse der Zurich Insurance Group AG und der Gruppe, Klarheit der Kommunikation). Vor Beginn der jährlichen Revision kontrolliert der Prüfungsausschuss den Umfang und das Ausmass der externen Prüfung und weist auf Bereiche hin, die besonderer Aufmerksamkeit bedürfen.

Der Prüfungsausschuss schlägt dem Verwaltungsrat die von den Aktionären zu wählenden externen Revisoren vor und ist für die Bewilligung ihrer Entschädigung verantwortlich. Die externen Revisoren unterbreiten der Konzernleitung einen Kostenvoranschlag, der geprüft und dann dem Prüfungsausschuss zur Genehmigung vorgelegt wird. Der Voranschlag berücksichtigt die Anzahl der Berichtseinheiten innerhalb der Gruppe und die erwarteten Veränderungen der rechtlichen und operativen Struktur im Lauf des Jahres.

Der Prüfungsausschuss hat für den Einsatz der externen Revisoren für nicht mit ihrer Prüfungstätigkeit in Zusammenhang stehende Dienstleistungen sowie für ähnliche Belange (einschliesslich einer Liste nicht gestatteter Dienstleistungen) eine Richtlinie genehmigt. Nicht mit der Revision in Zusammenhang stehende zulässige Dienstleistungen können Steuerberatung, Comfort/Consent Letters, Beglaubigungen und Bestätigungen sowie Due-Diligence- und Audit-Support im Rahmen von geplanten Transaktionen umfassen, sofern solche Tätigkeiten im Einklang mit den geltenden gesetzlichen und regulatorischen Bestimmungen stehen und nicht die Unabhängigkeit und Objektivität der externen Revisoren beeinträchtigen. Alle nicht mit der Revision in Zusammenhang stehenden zulässigen Dienstleistungen müssen je nach Umfang der zu erwartenden Entschädigung zuvor vom Prüfungsausschuss (Vorsitzenden), dem Group Chief Financial Officer oder dem lokalen Chief Financial Officer genehmigt werden, damit Interessenkonflikte vermieden werden. Ferner erfordert diese Richtlinie unter anderem einen schriftlichen Antrag, in welchem die zu erbringenden Dienstleistungen und der Hinweis an die externe Revision, die Richtlinie einzuhalten, festgehalten werden müssen.

Group Audit

Aufgabe der internen Revision der Gruppe (Group Audit) ist es, für den Verwaltungsrat, den Prüfungsausschuss, den Chief Executive Officer und die Konzernleitung und für die Verwaltungsräte und Prüfungsausschüsse der Tochtergesellschaften eine unabhängige und objektive Beurteilung vorzunehmen. Dies erfolgt mittels Erstellung eines risikobasierten Plans, der fortlaufend aktualisiert wird, während sich die Risiken, denen das Geschäft ausgesetzt ist, verändern. Dieser Plan basiert auf dem Gesamtspektrum der Geschäftsrisiken der Gruppe und umfasst unter anderem die Fragen und Anliegen des Prüfungsausschusses, des Managements und anderer Anspruchsgruppen. Group Audit setzt den Plan in Übereinstimmung mit definierten Betriebsstandards um, welche die vom Institute of Internal Auditors (IIA) erlassenen Internationalen Standards für die berufliche Praxis der Internen Revision beinhalten und mit diesen übereinstimmen. Wichtige, von Group Audit aufgeworfene Fragen werden mithilfe von verschiedenen Reportingmassnahmen dem verantwortlichen Management, dem Chief Executive Officer und dem Prüfungsausschuss zur Kenntnis gebracht.

Der Prüfungsausschuss, die Verwaltungsräte und Prüfungsausschüsse der Tochtergesellschaften und der Chief Executive Officer werden regelmässig über wesentliche Revisionsergebnisse informiert, einschliesslich über von Group Audit erkannte Unzulänglichkeiten und Kontrollprobleme, entsprechende Korrekturmassnahmen und deren Umsetzung durch das verantwortliche Management. Group Audit muss sicherstellen, dass Fragen, welche die Geschäftstätigkeit der Gruppe beeinflussen könnten, dem Prüfungsausschuss und den entsprechenden Managementebenen zur Kenntnis gebracht werden und dass rechtzeitig Follow-up-Aktivitäten erfolgen. Unterstützt wird dies durch die Teilnahme des Head of Group Audit an jeder Sitzung des Prüfungsausschusses.

Group Audit ist befugt, alle Bereiche der Gruppe zu prüfen, und hat uneingeschränkten Zugang zu allen Gruppenaktivitäten, Zahlen, Aufzeichnungen, Vermögenswerten und Personen, die für die Erfüllung seiner Pflichten erforderlich sind. Bei seiner Arbeit berücksichtigt Group Audit auch die Arbeit der anderen Assurance-Funktionen. Group Audit koordiniert seine Aktivitäten insbesondere mit den externen Revisoren und tauscht mit diesen Risikobeurteilungen, Arbeitspläne, Revisionsberichte und Fortschritte bei der Umsetzung von Korrekturmassnahmen aus. Group Audit und die externe Revision treffen sich regelmässig auf allen Organisationsebenen, um den Revisionsprozess und dessen Effizienz zu optimieren.

Der Prüfungsausschuss kontrolliert die Unabhängigkeit von Group Audit und überprüft dessen Aktivitäten, Pläne, Organisation, Qualität und die Zusammenarbeit mit den externen Revisoren. Laut beruflichen und regulatorischen Qualitätssicherungsvorschriften muss die interne Audit-Funktion regelmässig, jedoch mindestens alle fünf Jahre, einer Qualitätsprüfung durch ein unabhängiges qualifiziertes Gremium unterzogen werden. Diese Prüfung wurde zuletzt 2011 durchgeführt. Der Bericht ergab, dass Prozesse und Abläufe von Group Audit allen Standards des Institute of Internal Audit und den Anforderungen der FINMA entsprechen, und Group Audit wurde als sehr reife interne Prüfungsfunktion eingestuft.

Der Prüfungsausschuss genehmigt jährlich den Group Audit Plan, prüft mindestens vierteljährlich Berichte von Group Audit zu dessen Tätigkeiten und zu signifikanten Risiko-, Kontroll- und Governance-Themen. Der Leiter von Group Audit berichtet funktional dem Prüfungsausschuss und verwaltungsmässig dem Chief Executive Officer und trifft sich regelmässig mit dem Verwaltungsratspräsidenten. Group Audit trägt keine operative Verantwortung in den von ihm geprüften Bereichen, und um Unabhängigkeit zu gewährleisten, berichten alle Mitarbeitenden von Group Audit (über Audit Manager) global an den Leiter von Group Audit.

Group Compliance

Die Kernwerte der Gruppe gründen auf der Einhaltung der Gesetze und auf korrektem Geschäftsgebaren. Mit einer funktionierenden Compliance, die jeglicher Tätigkeit der Gruppe zugrunde liegt, schützt Zurich ihren Ruf und sichert das Erreichen ihrer ehrgeizigen Ziele.

Bericht über die Corporate Governance *fortgesetzt*

Die Compliance-Funktion erlässt Richtlinien und Vorgaben, berät in unternehmerischen Belangen, hält Schulungen ab und sichert die entsprechenden Compliance-Kontrollen innerhalb des Mandats der Compliance-Funktion der Gruppe. Diese Compliance-Kontrollen beinhalten eine kontinuierliche Überprüfung der Gesetze, Richtlinien und anderer Anforderungen auf allen Unternehmensebenen. Die Compliance-Funktion unterstützt auch die Geschäftsleitung von Zurich dabei, eine auf Compliance und Ethik bauende Unternehmenskultur aufrechtzuerhalten und zu fördern, die im Einklang mit den «Zurich Basics», dem Verhaltenskodex der Gruppe, steht. Dieser solide Compliance-Rahmen stützt sich auf eine stetige, weltweit erfolgende Prüfung der Compliance-Risiken und untermauert so ein solides Überwachungsregime. Die Ergebnisse aus dieser Prüfung unterstützen die strategische Planung der Compliance-Funktion, die in Absprache mit den Geschäftspartnern erfolgt. Der Compliance-Plan wird jährlich dem Prüfungsausschuss vorgelegt.

Interne Richtlinien und Vorgaben werden von der Compliance-Funktion im Rahmen eines umfassenden Programms eingeführt, eingebunden und überwacht. Im Rahmen dieses Programms führen unsere Compliance Officer neue Mitarbeitende in geltende Vorschriften ein und befassen sich mit der Integration neu akquirierter Unternehmen. Damit sich die Mitarbeitenden ihrer Verantwortung im Zusammenhang mit Zurich Basics und den internen Richtlinien bewusst sind, werden für alle regelmässig Ethik- und Compliance-Schulungen durchgeführt. Ferner führt die Compliance-Funktion der Gruppe interne Sensibilisierungskampagnen zu ethischem und regelkonformem Verhalten durch. Die Führungskräfte von Zurich bestätigen jährlich ihr Verständnis und die Einhaltung von Zurich Basics sowie der internen Richtlinien. Zurich ermutigt seine Mitarbeitenden, sich gegen regelwidriges Verhalten zu wehren und dieses zu melden. Zurich duldet keinerlei Vergeltungsmassnahmen gegenüber Mitarbeitenden, die ihre Bedenken in gutem Glauben äussern.

Der Compliance-Funktion der Gruppe, die aus Compliance-Spezialisten aus der ganzen Welt besteht, steht der Group Compliance Officer vor, der dem Group General Counsel untersteht und auch regelmässig dem Prüfungsausschuss des Verwaltungsrats berichtet. Der Group Compliance Officer verfügt über eine zusätzliche Berichtlinie zum Vorsitzenden des Prüfungsausschusses und angemessenen Zugang zum Verwaltungsratspräsidenten.

Erklärung zum Risikomanagement und zur internen Kontrolle

Der Verwaltungsrat trägt die Verantwortung für die Überwachung des Risikomanagements der Gruppe und die internen Kontrollsysteme, für die das Management verantwortlich ist. Das System ist so strukturiert, dass das Risiko, die Geschäftsziele nicht zu erreichen, gesteuert werden kann. Es bietet einen angemessenen, jedoch keinen absoluten Schutz vor wesentlichen finanziellen Fehlerfassungen und materiellen Verlusten. Auf der Ebene des Verwaltungsrats befassen sich zwei Ausschüsse mit Themen aus den Bereichen Risikomanagement und interne Kontrolle:

- der Risikoausschuss, der für die Überwachung des Risikomanagements zuständig ist; und
- der Prüfungsausschuss, der für interne Kontrollfragen verantwortlich zeichnet.

Das lokale Management ist unter der Leitung des CEO der jeweiligen juristischen Einheit für die Einhaltung der angemessenen Kontrollen und die ordnungsgemässe Identifizierung von Risiken und den Umgang mit diesen verantwortlich. Es finden regelmässige Treffen mit dem Risikomanagement und anderen Assurance-Funktionen statt, um ein effektives System der Risikoerkennung und -minderung sowie die Aufrechterhaltung solider interner Kontrollen sicherzustellen. Darüber hinaus werden regelmässige Überprüfungen der Berichterstattung nach Risiko- und sonstigen Assurance-Funktionen durchgeführt durch (1) den Verwaltungsrat einer Tochtergesellschaft oder Prüfungsausschüsse des Verwaltungsrats einer Tochtergesellschaft sowie zusätzlich durch (2) regionale Kontrollausschüsse, welche Tochtergesellschaften in den Regionen Lateinamerika, Asien-Pazifik, Naher Ostent und Europa (partiell) kontrollieren. Die Prüfungsausschüsse des Verwaltungsrats einer Tochtergesellschaft bestehen aus Verwaltungsratsmitgliedern der betreffenden juristischen Einheit sowie in manchen Fällen aus unabhängigen, nicht geschäftsführenden Verwaltungsratsmitgliedern. Die regionalen Kontrollausschüsse bestehen in der Mehrzahl aus unabhängigen Mitgliedern aus dem obersten Management der Gruppe, die keine direkte oder indirekte operative Verantwortung für die Geschäftsaktivitäten der betreffenden Tochtergesellschaft besitzen. Darüber hinaus können auch Assurance-Anbieter an den Treffen der regionalen Kontrollausschüsse teilnehmen. Die Ergebnisse dieser Überprüfungen werden entsprechend dem CEO der Gruppe, dem Risikoausschuss des Verwaltungsrats, dem Prüfungsausschuss und dem Verwaltungsrat der Gruppe mitgeteilt.

Die Gruppe besitzt ein koordiniertes und formalisiertes Konzept für das Risikomanagement und die interne Kontrolle. Die wichtigen Risikomanagement- und internen Kontrollsysteme und Grundsätze der Gruppe werden auf Gruppenebene erarbeitet und unternehmensweit umgesetzt. Dieser Ansatz konzentriert sich vor allem auf erhebliche Risiken, die das Erreichen der Unternehmensziele der Gruppe beeinträchtigen könnten, sowie auf die Aktivitäten zur Kontrolle und Überwachung dieser Risiken, wodurch die Effektivität der Kontrollen erhöht wird. Die Gruppe fördert eine risiko- und kontrollbewusste Umgebung und festigt diese durch Kommunikation und Training.

Ein effektives Risikomanagement ist entscheidend für die Unternehmensführung. Der Unternehmensleitung obliegen die Identifizierung, Auswertung und das Management der massgeblichen Risiken. Das Risikomanagement findet gruppenweit unter der Leitung des oberen Managements statt. Zurich verfügt über für die gesamte Gruppe geltende Risikorichtlinien sowie über gemeinsame Methoden und Instrumente zur Risikobewertung und -modellierung. Die Risikobewertungsprozesse sind auf die Planungsprozesse der Gruppe abgestimmt und werden von der Konzernleitung und dem Risikoausschuss des Verwaltungsrats überprüft. Dem Risikoausschuss des Verwaltungsrats wird regelmässig über hohe Risiken, die Ergebnisse der Risikobewertung und -modellierung sowie die daraus resultierenden jeweiligen Massnahmen Bericht erstattet. Unter anderem werden mithilfe der Total Risk ProfilingTM-Methode der Zurich regelmässig konzernweite und lokale Risikobewertungen durchgeführt; die Geschäftseinheiten müssen mindestens einmal pro Quartal wichtige Risiken melden und Massnahmenpläne zu deren Minimierung umsetzen. Weitere Details finden sich im Risk Review des Geschäftsberichts.

Das interne Kontrollsystem ist auf wichtige Kontrollen in den Bereichen Finanzberichterstattung, Geschäftstätigkeit und Compliance ausgerichtet. Das System umfasst die Grundsätze, Prozesse und Aktivitäten, die zu erhöhter Zuverlässigkeit der Finanzberichterstattung sowie zur Effektivität und Effizienz der Geschäftstätigkeit und zur Einhaltung der gesetzlichen Vorschriften und Richtlinien beitragen. Im Jahr 2012 wurden zusätzliche Fortschritte bei der Weiterentwicklung und Verbesserung des internen Kontrollsystems der Gruppe erzielt, während gleichzeitig die Effektivität des gesamten internen Kontrollwesens im Fokus blieb.

Der jährliche Businessplan der Gruppe enthält Erwägungen zum Risikomanagement sowie die strategische und unternehmerische Ausrichtung, Finanzinformationen und Kennzahlen. Im Laufe des Jahres erhalten Verwaltungsrat, Risiko- und Prüfungsausschuss sowie die Konzernleitung regelmässig zusammenfassende Berichte zu der finanziellen Situation, der finanziellen und operativen Performance – jeweils verglichen mit dem Plan – und den wichtigsten Risiken.

Management, Group Audit, Group Compliance und Group Risk Management nehmen risikobasierte Überprüfungen der Prozesse und Kontrollen innerhalb der Organisation vor. Die Kontrollen des Managements umfassen die effektive Umsetzung von versicherungsmathematischen, Schadenbearbeitungs-, Anlage-, Underwriting-, Treasury-, Rechnungslegungs- und Berichterstattungsgrundsätzen sowie Kontrollen in Bezug auf wichtige Geschäftstätigkeiten und die IT-Systeme der Gruppe. Verwaltungsrat, Prüfungs- und Risikoausschuss erhalten vom Chief Risk Officer, Group General Counsel, Head of Group Compliance, Group Chief Financial Officer und Group Controller, Head of Group Audit sowie vom oberen Management regelmässig Berichte und – falls erforderlich – zusätzlich Sonderberichte. Weiter teilen die externen Revisoren regelmässig die aus ihrem unabhängigen Prüfungsprozess resultierenden Schlussfolgerungen, Beobachtungen und Empfehlungen mit.

Diese Berichte enthalten Erläuterungen zu Themen wie: a) signifikante Veränderungen in Bezug auf Risiken sowie das unternehmerische und das externe Umfeld; b) Überwachung der Risiken und Kontrollsysteme durch die Unternehmensleitung; c) Kommunikation zur Überwachung der Risiken und Kontrollen; d) gegebenenfalls vorhandene bedeutende Kontrollprobleme; e) die Effektivität des Prozesses der externen Berichterstattung der Gruppe.

Für den Zeitraum des Kalenderjahrs 2012 bis zum Datum der Erstellung dieses Geschäftsberichts hat der Risikoausschuss die Effektivität der Risikomanagementsysteme der Gruppe inkl. der Risikotoleranz der Gruppe und der gruppenweiten Governance in diesem Bereich geprüft, und der Prüfungsausschuss hat die internen Kontrollsysteme der Gruppe auf ihre Effektivität hin untersucht. Die Ausschüsse haben dem Verwaltungsrat entsprechend darüber berichtet. Der Verwaltungsrat ist überzeugt, dass die Prüfungen des Prüfungs- und des Risikoausschusses in Übereinstimmung mit der britischen Turnbull-Richtlinie (in der revidierten Fassung vom Oktober 2005) durchgeführt wurden. Die Beurteilung umfasste Überlegungen zur Effektivität des fortlaufenden Prozesses zu Identifikation, Evaluation, Kontrolle und Management der Risiken, die mit der Geschäftstätigkeit verbunden sind; des Weiteren wurde auf Überlegungen zu Umfang und Häufigkeit der Risikomanagement- und Kontrollberichte, die der Risiko- und der Kontrollausschuss sowie der Verwaltungsrat im Laufe des Jahres erhalten und diskutiert haben, sowie auf die wichtigen diskutierten Punkte der Prüfung von Risiken und Kontrollfragen und den Massnahmen, die von der Geschäftsleitung in diesem Zusammenhang ergriffen wurden, eingegangen. Die identifizierten Fragen und Probleme, einschliesslich der finanziellen Anpassungen in der Sparte General Insurance in Deutschland, wurden dem Verwaltungsrat mitgeteilt und wurden oder werden von der Gruppe angegangen.

Die Betriebe im Zusammenhang mit der langfristigen Allianz mit Banco Santander, die 2011 geschlossen wurde, übernehmen Zug um Zug das Risikomanagement von Zurich und nutzen weiterhin ihre bestehenden internen Kontrollsysteme.

Unternehmensfortführung

Aufgrund der Prüfung des Geschäftsergebnisses für das Berichtsjahr sowie der Prognosen für das kommende Jahr ist der Verwaltungsrat davon überzeugt, dass die Gruppe über die notwendigen Mittel verfügt, um ihre Tätigkeit in der nächsten Zeit fortzuführen. Der Verwaltungsrat ist daher bei der Aufstellung der Jahresrechnung vom Grundsatz der Unternehmensfortführung ausgegangen.

Vergütungsbericht

Der Vergütungsbericht beschreibt die Grundsätze und das Governance-System zur Vergütung der Mitglieder des Verwaltungsrats, der Konzernleitung sowie aller Mitarbeitenden. Er enthält ausserdem Angaben zu den einzelnen Vergütungsbestandteilen und informiert über die Tätigkeiten des Entschädigungsausschusses.

Der Verwaltungsrat hat auch 2012 die Gestaltung und Umsetzung der Vergütungsgrundsätze, -regeln und -struktur überwacht und entsprechende Entscheidungen getroffen. Die frühere Beurteilung, dass diese mit der Umsetzung der Gruppenstrategie in Einklang stehen und die derzeit bestehenden internationalen Best Practices hinsichtlich Governance, Gestaltung der Vergütungsinstrumente und Offenlegung widerspiegeln, wird weiterhin bestätigt. Die Vergütungsstruktur der Gruppe ist einfach, transparent und wettbewerbsfähig. Sie fördert eine hohe Leistungskultur, entspricht den Grundsätzen des Risikomanagements der Gruppe und ist auf Langfristigkeit für Key Risk Takers ausgerichtet.

Inhalt

Zusammenfassung der Vergütungen 2012

Die folgende Zusammenfassung gibt eine Übersicht über die wichtigsten Aspekte der Vergütung von Zurich für das Jahr 2012.

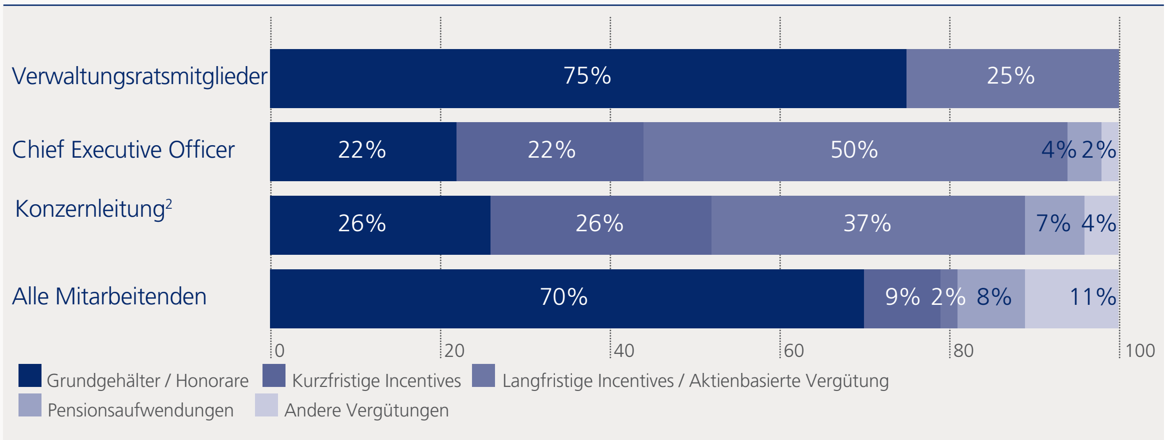
Governance und Philosophie der Vergütung
Der Verwaltungsrat ist verantwortlich für die Gestaltung, die Umsetzung und die Überwachung der Vergütungsstruktur der Gruppe und hat einen Entschädigungsausschuss eingesetzt. Zu den Aufgaben des Entschädigungsausschusses gehört es unter anderem, dem Verwaltungsrat jährlich Vorschläge für die Vergütung der Verwaltungsratsmitglieder, des Chief Executive Officer (CEO) und der übrigen Mitglieder der Konzernleitung (Group Executive Committee, GEC) zu unterbreiten. Er beurteilt ausserdem die individuelle und geschäftliche Leistung im Zusammenhang mit der leistungsbasierten Vergütung und schlägt die Gesamtausgaben für die variablen Vergütungskomponenten vor.

Zurich hat ein ausgeglichenes und effektiv gestaltetes Vergütungssystem, welches Risikoaspekte berücksichtigt und eine wettbewerbsfähige Gesamtvergütung gewährleistet; um Mitarbeitende zu gewinnen, zu halten, zu motivieren und zu entlöhnen, dass sie hervorragende Leistungen erbringen. Die Gesamtvergütung eines einzelnen Mitarbeitenden hängt von verschiedenen Faktoren ab, wie zum Beispiel dem Kompetenzbereich und der Komplexität der Funktion, dem Geschäftsverlauf der Gruppe und der wirtschaftlichen Tragfähigkeit, der persönlichen Leistung, der internen Verhältnisse, der externen Wettbewerbsfähigkeit sowie rechtlichen Anforderungen. Die angestrebte Vergütung orientiert sich an den Medianwerten in klar definierten Märkten und berücksichtigt interne Strukturen. Abhängig von der Funktion kann der relevante Markt global, regional oder lokal sein und trägt Praktiken in der Versicherungsbranche, der Finanzdienstleistungsbranche oder der Branche allgemein Rechnung.

Vergütungsübersicht
Die Gesamtvergütung setzt sich aus Grundgehältern, aus kurzfristigen und langfristigen leistungsbasierten Gehaltsanteilen sowie aus Nebenleistungen zusammen. Die kurz- und langfristigen Incentive-Programme, die für die variable Vergütung Anwendung finden, berücksichtigen geeignete Leistungskennzahlen. Die Gesamtausgaben für variable Vergütungskomponenten berücksichtigen den langfristigen wirtschaftlichen Erfolg der Gruppe.

Die variable Vergütung ist so strukturiert, dass für oberste Führungskräfte im Schnitt der langfristigen, nachhaltigen Leistung eine höhere Gewichtung gegeben wird, was auch für jene Mitarbeitenden zur Anwendung kommt, die als bedeutende Risikoträger («Key Risk Taker») gelten. Dadurch ist gewährleistet, dass ein bedeutender Teil der variablen Vergütung für diese Mitarbeitenden aufgeschoben wird.

Vergütungsstruktur 2012 und Gewichtung von Bestandteilen[1]



[1] Zielwert, als Prozentsatz der Gesamtvergütung.
[2] Einschliesslich Chief Executive Officer.

Vergütung 2012
Bei Entscheidungen zur Vergütung für das Jahr 2012 wurden alle relevanten Faktoren wie Geschäftsentwicklung, Marktüberlegungen, aufsichtsbehördliche Anforderungen, der langfristige Gesamtfokus sowie Risikoüberlegungen ausgewogen und angemessen berücksichtigt. An den Verwaltungsratshonoraren wurden 2012 keine Änderungen vorgenommen und des Weiteren werden auch 2013 keine Änderungen an der Vergütungsstruktur vorgenommen. Vergütungsänderungen für

Vergütungsbericht *fortgesetzt*

Mitglieder der Konzernleitung in 2012 konzentrierten sich auf die Erhöhung des langfristigen Teils der variablen Vergütung, um sicherzustellen, dass mindestens 60% der variablen Vergütung aufgeschoben werden und von langfristigen Leistungsbedingungen abhängig sind. Bei allgemeinen Entscheidungen zur Mitarbeitervergütung war ein ausgeglichenes Verhältnis zwischen der gesamten Vergütungsstruktur und dem Unternehmensergebnis sowie Markt-, Risiko- und regulatorischen Aspekten ein wichtiger Entscheidungsfaktor.

Die Vergütungskennzahlen setzten sich 2012 wie folgt zusammen:

Wichtige Zahlen der Vergütung

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	Grund-gehälter/Honorare	Kurzfristige Incentives[1]	Langfristige Incentives[2]	Andere Vergütungen[3]	Gesamt-vergütung 2012[4]	Gesamt-vergütung 2011[4]
Verwaltungsratsmitglieder	3,4	–	1,2	–	4,6	4,7
Konzernleitung	12,0	12,3	16,8	5,3	46,4	50,3
Alle Mitarbeitenden	4'036	465	131	1'114	5'746	5'656

[1] Für alle Mitarbeitenden entsprechend der leistungsbezogenen Barvergütung für das Jahr.
[2] Enthält die Honorare, die den Verwaltungsratsmitgliedern in Form von Aktien mit Veräusserungsbeschränkung zugeteilt werden.
[3] Beinhaltet sonstige Mitarbeitervergünstigungen, Pensionsanwartschaften und andere Vergütungskosten.
[4] Effektiv, brutto, und für Barbeträge basierend auf dem Accrual-Prinzip.

Der Vergütungsaufwand ist im Kontext der Gesamterträge, der Kapitalbasis und der Rentabilität von Zurich zu betrachten. Die wesentlichen Kennzahlen sind in der folgenden Tabelle enthalten und zeigen die Daten für 2012 und 2011:

Wesentliche Kennzahlen

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	2012	2011[1]
Bruttoprämien und Gebühren[2]	56'823	52'967
Betriebsgewinn (BOP)	4'075	4'243
Den Aktionären zurechenbarer Reingewinn, nach Steuern	3'878	3'750
Den Aktionären zurechenbares Eigenkapital	34'494	31'484
Den Aktionären zurechenbare Eigenkapitalrendite ohne Vorzugspapiere (ROE)	11,8%	11,9%
Dividenden an Aktionäre[3]	2'763	2'706
Gesamtpool der variablen Vergütungen für alle Mitarbeitenden	608	618
– als Prozentsatz der Bruttoprämien und Gebühren	1%	1%
– als Prozentsatz des den Aktionären zurechenbaren Eigenkapitals	2%	2%

[1] 31. Dezember 2011 wurde angepasst (Restatement) wie in der Anhangsangabe 1 der Consolidated Financial Statements dargestellt.
[2] Beinhaltetet USD 53'977 Bruttoprämien und Policengebühren sowie USD 2'846 Farmers Managementgebühren und damit verbundene Erträge.
[3] Dividende basierend auf dem Wechselkurs am Transaktionstag in 2012 bzw. 2011.

Diese Zahlen zeigen, dass der Aufwand für variable Vergütungskomponenten im Verhältnis zu den gesamten Erträgen und der Kapitalisierung von Zurich relativ gering ist. Bei der Festsetzung des Betrags für den Gesamtpool der variablen Vergütung (siehe Seite 62 und 79) für alle Mitarbeitenden berücksichtigt der Verwaltungsrat neben anderen Faktoren auch den langfristigen wirtschaftlichen Erfolg der Gruppe. Diesbezüglich hat die Gruppe langfristig ökonomischen Gewinn generiert, der den für die variable Vergütung tatsächlich aufgewendeten Betrag übersteigt. Für 2012 resultierten die Gesamtaufwendungen für das kurzfristige Incentive-Programm der Gruppe (Group STIP) in 91% der Zielzuteilung, und die Höhe der definitiven Zuteilung für die Jahre 2010 bis 2012 hinsichtlich des langfristigen Incentive-Programms (Group LTIP) wurde auf 97% der Zielzuteilung gesetzt.

Um die Interessen des Verwaltungsrats und der Konzernleitung mit denen der Aktionäre noch besser in Einklang zu bringen, bauen die Mitglieder dieser Gremien eigene Aktienpositionen an Zurich Insurance Group AG auf. Zum 31. Dezember 2012 hielten Verwaltungsratsmitglieder 65'620 Aktien und Mitglieder der Konzernleitung 118'899 Aktien und 439'520 Optionen. Es bestehen Richtlinien zum Aktienbesitz, die auf Seite 63 näher beschrieben werden. Um die Verpflichtungen im Rahmen der aktienbasierten Vergütungspläne zu erfüllen, hat Zurich 2012 914'301 neue Aktien und 2011 798'926 neue Aktien ausgegeben. Nähere Einzelheiten zu den Auswirkungen der Verwässerung der aktienbasierten Vergütungspläne sind auf Seite 60 dargestellt.

Zusammenfassung anderer wichtiger Vergütungsaspekte im Jahr 2012
Neben den beschriebenen allgemeinen Vergütungsaspekten und -ergebnissen werden weitere wichtige Aspekte für das Jahr 2012 dargelegt:

- Das im Vergütungsbericht für 2011 dargelegte Vergütungssystem war Gegenstand einer unverbindlichen konsultativen Abstimmung der Aktionäre an der ordentlichen Generalversammlung vom 29. März 2012 und erzielte eine Stimmenmehrheit von 84,8%.

- Nach dem Rücktritt von Herrn Manfred Gentz und Herrn Vernon Sankey im März 2012 genehmigte die Generalversammlung die Wahl von Frau Alison Carnwath und Herrn Rafael del Pino in den Verwaltungsrat. Die beiden neuen Mitglieder ersetzten die scheidenden Mitglieder und sind mit Herrn Josef Ackermann und Herrn Thomas Escher im Entschädigungsausschuss. Herr Thomas Escher wurde 2012 zum neuen Vorsitzenden des Entschädigungsausschusses ernannt.

- Der Ausschuss prüfte die Leistungsbewertungen in den kurz- und langfristigen Incentive-Programmen für 2012.

- Die verwendeten Kriterien und Prozesse zur konzernweiten Identifikation und Leistungsbeurteilung von Key Risk Taker Positionen wurden 2012 überprüft und präzisiert. Insbesondere wurden weitere Prozesse implementiert, um risikobasierte Faktoren in die Leistungsbeurteilung von Key Risk Takers gegenüber dem Vorjahr aufzunehmen. Die Gruppe hat 2012 die Anzahl von Key Risk Taker Positionen erhöht.

Governance

Vergütungsbericht 2012

Struktur des Berichts
Dieser Vergütungsbericht enthält alle Informationen gemäss Kapitel 5 der Richtlinie über die Informationen zur Corporate Governance der SIX Swiss Exchange (SIX-Richtlinie) und dem Swiss Code of Best Practice for Corporate Governance («Swiss Code of Best Practice»), mit Wirkung vom 1. Juli 2009 respektive 15. Oktober 2007. Des Weiteren enthält der Bericht alle Informationen gemäss den Artikeln 663b^{bis} und 663c Absatz 3 des Schweizerischen Obligationenrechts und des Rundschreibens 2010/1 «Mindeststandard für Vergütungssysteme bei Finanzinstituten», herausgegeben am 21. Oktober 2009 von der Eidgenössischen Finanzmarktaufsicht FINMA, sowie weitere von der FINMA am 19. Januar 2011 herausgegebene Leitlinien (FINMA-Rundschreiben zu Vergütungssystemen).

Die Struktur des Vergütungsberichts entspricht den Anforderungen des Schweizerischen Obligationenrechts, der SIX-Richtlinie, des Swiss Code of Best Practice und dem von der FINMA veröffentlichten Rundschreiben zu Vergütungssystemen.

Der erste Teil des Berichts beschreibt das Governance-System und die allgemeinen Vergütungsgrundsätze. Der zweite Teil enthält Einzelheiten zu den einzelnen Vergütungselementen. Die Verwaltungsratsmitglieder sind unabhängig und gehören nicht der Konzernleitung von Zurich Insurance Group AG an; daher werden die Einzelheiten zur Vergütung des Verwaltungsrats und der Konzernleitung je in einem gesonderten Abschnitt erläutert. Daran anschliessend folgt ein Abschnitt mit den von der FINMA in ihrem Rundschreiben zu Vergütungssystemen geforderten Informationen für alle Mitarbeitenden.

Alle gemäss den Artikeln 663b^{bis} und 663c Absatz 3 des Schweizerischen Obligationenrechts erforderlichen Informationen finden sich auch im Anhang zur Jahresrechnung der Zurich Insurance Group AG Holdinggesellschaft.

Alle anderen, gemäss der SIX-Richtlinie offenzulegenden Informationen sind im vorangehenden Bericht über die Corporate Governance enthalten.

Vergütungsgovernance
Vergütungsstruktur
Der Verwaltungsrat ist verantwortlich für die Gestaltung und Umsetzung der Vergütungsgrundsätze und -regeln (zusammen das «Vergütungsreglement»). Um den Verwaltungsrat bei der Durchführung dieser Aufgaben zu unterstützen, wurde ein Entschädigungsausschuss eingerichtet. Dem Entschädigungsausschuss gehören vier Verwaltungsratsmitglieder an, die alle Erfahrung aus dem Bereich Vergütungen mitbringen. Er bewertet jährlich die Vergütungsstruktur und das Vergütungsreglement und schlägt dem Verwaltungsrat, soweit dies angebracht ist, entsprechende Änderungen vor.

2012 überprüfte der Verwaltungsrat weiterhin die Vergütungsstruktur und deren operative Umsetzung. Des Weiteren fand im September 2012 eine gemeinsame Sitzung zwischen dem Entschädigungsausschuss und dem Risikoausschuss statt. Der Verwaltungsrat ist weiterhin der festen Überzeugung, dass die bestehende Vergütungsstruktur mit der Umsetzung der

Vergütungsbericht *fortgesetzt*

Gruppenstrategie in Einklang steht und die derzeit bestehenden internationalen Best Practices hinsichtlich Governance, Gestaltung der Vergütungsinstrumente und Offenlegung widerspiegelt.

2012 wurde eine Reihe von Massnahmen umgesetzt, die auch in Zukunft weiterverfolgt werden.

- Es fand ein gemeinsames Treffen zwischen dem Entschädigungsausschuss und dem Risikoausschuss statt, um eine Risikoeinschätzung der Vergütungsstruktur und des Vergütungs-Governance-Systems zu erörtern. Für diese gemeinsame Sitzung bewertete das Group Risk Management die Vergütungsstruktur und erläuterte die Erkenntnisse dahingehend, ob und wie die Vergütungsstruktur mit einem effektiven Risikomanagement vereinbar ist und ob damit keine Anreize geschaffen werden, unangemessene Risiken einzugehen, welche die von der Gruppe tolerierten Risiken übersteigen.

- Ein weiteres Treffen fand zwischen dem Entschädigungsausschuss und dem Governance- und Nominationsausschuss statt, um die möglichen Implikationen der «Minder Initiative» und des «Indirekten Gegenvorschlags» zu besprechen.

- Die Vergütung der Kontrollfunktionen bleibt weiterhin so strukturiert, dass Interessenkonflikte vermieden werden. Hierzu wird sichergestellt, dass sich leistungsbezogene Vergütungen für alle Personen in den Kontrollfunktionen an der Profitabilität der Gruppe orientieren anstatt an der Profitabilität des Geschäftsbereiches, der von dieser Funktion kontrolliert wird.

- Langfristige Incentive-Zuteilungen wurden ausschliesslich in Form von leistungsbezogenen Aktien vorgenommen. Die Optionszuteilung wurde ab 2011 eingestellt, und die Aktienoptionen, die bis und mit 2010 zugeteilt wurden, laufen entsprechend den Bedingungen dieser Zuteilungen weiter. Damit wird den Marktentwicklungen Rechnung getragen und der Verwaltungsrat ist zudem der Ansicht, dass sich die individuelle Vergütung durch leistungsbezogene Aktien am besten an die tatsächlich erreichten Leistungen abgleichen lässt.

- Während des jährlich stattfindenden Prozesses zur Ausrichtung der Vergütung an der Risikokapazität der Gruppe beriet sich das Group Risk Management mit anderen Kontroll-, Governance- und Assurance-Funktionen und legte dem CEO eine Auswertung über die Risikofaktoren vor, die bei der Beurteilung der Gesamtleistung für die Finanzierung des Gesamtpools der variablen Vergütung berücksichtigt werden sollten. Der Chief Risk Officer steht zur Verfügung, um diese Ergebnisse mit dem Entschädigungsausschuss und dem Verwaltungsrat zu erörtern. Neben anderen Faktoren berücksichtigt der CEO die Bewertung des Group Risk Management, wenn er dem Entschädigungsausschuss seine Vorschläge zur Finanzierung der kurz- und langfristigen Incentive-Pools präsentiert, damit dieser eine Empfehlung an den Verwaltungsrat zur endgültigen Genehmigung aussprechen kann.

- Hinsichtlich der operativen Umsetzung der Vergütungsstruktur in der Gruppe führt die interne Revision (Group Audit) eine gründliche Beurteilung durch, die auch eine Prüfung der Umsetzung des Vergütungsreglements bei Zurich einschliesst.

- Um die Transparenz noch weiter zu verbessern, werden zusätzliche Informationen über die Richtlinien zum Aktienbesitz des Verwaltungsrats und der Mitglieder der Konzernleitung offengelegt. Diese sind auf Seite 63 aufgeführt.

- Darüber hinaus werden auch Informationen zu den Auswirkungen der Aktienverwässerung durch die Ausgabe von Aktien im Rahmen der Verpflichtungen aus den aktienbasierten Vergütungsplänen der Gruppe gegeben. Zurich erfüllt ihre Aktienverpflichtungen aus den Vergütungsprogrammen entweder durch die Ausgabe neuer Aktien aus dem bedingten Kapital, das von den Aktionären genehmigt wurde, oder durch die Verwendung von Zurich-Aktien, die am Markt gekauft werden.

  2012 gab das Unternehmen 914'301 Aktien aus (0,62% des Kapitals, basierend auf 147'385'822 Namenaktien mit Anspruch auf Dividenden per 31. Dezember 2011), um die Aktienverpflichtungen aus der definitiven Zuteilung von Aktien und der Ausübung von Aktienoptionen im Laufe des Jahres zu erfüllen (2011 waren es 798'926 Aktien oder 0,54% des Kapitals, basierend auf 146'586'896 Namenaktien mit Anspruch auf Dividenden per 31. Dezember 2010).

  Zum 31. Dezember 2012 betrug die Gesamtzahl bedingt zugeteilter Aktien 886'483, welche aus den Zuteilungen in den Jahren 2010, 2011 und 2012 stammen. Diese bedingt zugeteilten Aktien würden bei einer unwiderruflichen Zuteilung auf einem Zielniveau von 100% im Zeitraum 2013 bis 2015 die Ausgabe von 0,60% des Aktienkapitals erfordern, basierend auf 147'385'822 Namenaktien mit Anspruch auf Dividenden per 31. Dezember 2011.

  Zum 31. Dezember 2012 betrug die Gesamtzahl zugeteilter, aber noch nicht ausgeübter Aktienoptionen 2'261'239. Darüber hinaus liegen 243'345 bedingt zugeteilte Zieloptionen vor, die im April 2013 zur unwiderruflichen Zuteilung fällig werden. Die Ausübungspreise für die Optionen bewegen sich im Bereich zwischen CHF 198.10 und CHF 355.75. Wenn in Zukunft alle genannten definitiv und bedingt zugeteilten Optionen ausgeübt werden, entspricht die Zahl der erforderlichen Aktien 1,70% des Aktienkapitals, das auf 147'385'822 Namenaktien mit Anspruch auf Dividenden per 31. Dezember 2011 basiert. Wenn nur jene Optionen ausgeübt werden, die zum 31. Dezember 2012 im Geld liegen (Aktienpreis CHF 243.30), wären 255'683 Aktien oder 0,17% des Aktienkapitals, basierend auf 147'385'822 Namenaktien mit Anspruch auf Dividenden per 31. Dezember 2011 erforderlich.

- Bei der Prüfung der Leistungskennzahlen wurde entschieden, dass die Geschäftsentwicklung für den Group STIP im Geschäftsbereich General Insurance besser beurteilt werden kann, wenn die Auswirkungen von Verlusten durch Katastrophen normalisiert würden. Farmers nahm auch eine Änderung vor, wobei bei der Beurteilung des STIPs die Geschäftsentwicklung von Farmers Exchanges berücksichtigt wird[1]. Hinsichtlich des Group LTIP wurde beschlossen, die zugrunde liegende Leistungsbeurteilungsmatrix beizubehalten, die auf der relativen Gesamtrendite für die Aktionäre (Total Shareholder Return, TSR[2]) und der absoluten, den Aktionären zurechenbaren Eigenkapitalrendite ohne Vorzugspapiere (ROE) beruht. Dem Verwaltungsrat wurde jedoch das Recht gewährt, den Geschäftserfolg der Gruppe im Lichte des wirtschaftlichen Umfelds über den dreijährigen Leistungszeitraum zu reflektieren. An den errechneten Werten kann nach Ermessen des Verwaltungsrats bei aussergewöhnlichen Marktbedingungen, beispielsweise hinsichtlich Zinssätze, Wechselkurse etc., eine positive oder negative Anpassung um +/–25% vorgenommen werden.

Im Rahmen der Überprüfung der Vergütungsstruktur im Jahr 2012 wurden alle Key Risk Taker Positionen geprüft. Diese Positionen umfassen die drei Geschäftsbereiche General Insurance, Global Life und Farmers sowie Group Operations und alle anderen Hauptfunktionen. 2012 wurden die Prozesse und Kriterien zur Ermittlung von Key Risk Taker-Positionen weiter präzisiert und dokumentiert, um die jährliche Neubewertung zu fördern. Die Kriterien basieren auf Faktoren, die die Risikoaufnahme innerhalb der Gruppe wesentlich betreffen, zum Beispiel Gesamt-Governance, Kapitalkonsum für jeden Risikotyp wie im internen Modell festgelegt, Strategie und Reputation. Anschliessend werden die Kriterien auf alle Personen angewandt, die auf der Unternehmensebene diese spezifischen Risiken eingehen oder kontrollieren. Insbesondere liefert Group Risk Management, zusammen mit anderen Kontroll- und Assurance-Funktionen, Risiko- und Compliance-Informationen über alle Key Risk Takers im Rahmen der jährlichen individuellen Leistungsbeurteilung. Die Vergütung der Key Risk Takers umfasst sowohl kurzfristige als auch langfristige Incentive-Pläne, wobei den langfristigen Plänen, und somit der aufgeschobenen Vergütungskomponente, grössere Gewichtung zukommt.

Verfahren zur Genehmigung der Vergütung

Gemäss dem Vergütungsreglement ist es Aufgabe des Entschädigungsausschusses, dem Verwaltungsrat jährlich Vorschläge für die Vergütung der Verwaltungsratsmitglieder, des CEO und der übrigen Mitglieder der Konzernleitung zu unterbreiten. Für die anderen Mitglieder der Konzernleitung basieren diese Empfehlungen des Entschädigungsausschusses auf Vorschlägen des CEO. Die Vorschläge zu den Vergütungen müssen vom Verwaltungsrat genehmigt werden.

Werden in den Sitzungen des Entschädigungsausschusses des Verwaltungsrats und des Verwaltungsrats selbst Entscheidungen hinsichtlich der Vergütung des Verwaltungsratspräsidenten getroffen, nimmt dieser nicht an der Sitzung teil. Werden Entscheidungen zur Vergütung des CEO getroffen, ist dieser nicht anwesend. Wird über die Vergütung der anderen Mitglieder der Konzernleitung entschieden, nehmen auch diese Mitglieder nicht an der Sitzung teil. Im Entschädigungsausschuss sind keine Mitglieder, welche zusätzliche Mandate auf einem oder mehreren Ausschüssen eines Tochterunternehmens der Gruppe bekleiden. Weitere Einzelheiten zum Verantwortungsbereich des Entschädigungsausschusses finden Sie auf Seite 26 im Bericht über die Corporate Governance.

Die Genehmigungsstruktur lässt sich wie folgt zusammenfassen:

[1] Eine Definition von «Farmers Exchanges» findet sich auf Seite 19 des Berichts über die Corporate Governance.
[2] Die Gesamtrendite für die Aktionäre (TSR) ist der theoretische Wertzuwachs gehaltener Aktien, unter der Annahme, dass Dividenden und Kapitalausschüttungen wieder investiert werden, um weitere Einheiten einer Aktien zum Schlusskurs am Datum der Dividende/Kapitalausschüttung zu kaufen.

Vergütungsbericht *fortgesetzt*

Genehmigungsstruktur

Gegenstand	Empfehlung vom	Endgültige Genehmigung durch
Gesamtvergütungsstruktur	Entschädigungsausschuss und Risikoausschuss, basierend auf Vorschlägen des CEO	Verwaltungsrat
Vergütungsregeln (Vergütungsreglement)	Für Mitglieder des Verwaltungsrats: Entschädigungsausschuss Für alle Mitarbeitenden: Entschädigungsausschuss, basierend auf Vorschlägen des CEO	Verwaltungsrat
Honorare der Verwaltungsratsmitglieder (inklusive Präsident und Vizepräsident)	Entschädigungsausschuss	Verwaltungsrat
Vergütung des CEO	Entschädigungsausschuss	Verwaltungsrat
Vergütung der Konzernleitung (ohne CEO)	Entschädigungsausschuss, basierend auf Vorschlägen des CEO	Verwaltungsrat
Short Term Incentive Plan (STIP)-Finanzierungspools	Entschädigungsausschuss, basierend auf Vorschlägen des CEO, unter Berücksichtigung einer Risikoeinschätzung durch das Group Risk Management	Verwaltungsrat
Levels für die definitive Zuteilung im Rahmen des Long-Term Incentive Plan (LTIP)	Entschädigungsausschuss, basierend auf Vorschlägen des CEO, unter Berücksichtigung einer Risikoeinschätzung durch das Group Risk Management	Verwaltungsrat

Zusätzlich zu den vorstehenden Ausführungen und in Übereinstimmung mit den Anforderungen des FINMA-Rundschreibens zu Vergütungssystemen genehmigt der Verwaltungsrat auch die Gesamtsumme der variablen Vergütungen für das Leistungsjahr für die gesamte Gruppe («Gesamtpool der variablen Vergütungen») unter Berücksichtigung des langfristigen wirtschaftlichen Erfolgs der Gruppe. Weitere Einzelheiten zur Berechnung des Gesamtpools der variablen Vergütungen finden Sie auf den Seiten 79 und 80.

Benchmark-Studien und externe Berater des Verwaltungsrats

Um die Entscheidungsfindung zur Vergütung des Verwaltungsrats und der Konzernleitung zu unterstützen, werden regelmässig Benchmark-Studien durchgeführt. Zur Beurteilung der Marktpraktiken und der marktüblichen Höhe der Vergütung werden die Vergütungsstrukturen und -praktiken der grössten Versicherungsunternehmen analysiert. Hierfür werden die im Dow Jones Titan Insurance Index erfassten Unternehmen als Beurteilungsgrundlage herangezogen. Dieser Index umfasst die weltweit grössten Versicherungsgesellschaften, vorwiegend mit Sitz in Europa und in den Vereinigten Staaten. Falls sinnvoll, wird diese Analyse durch weitere Benchmark-Studien ergänzt, z. B. durch eine Analyse der Vergütungspraktiken der grossen im Swiss Market Index (SMI) aufgeführten Unternehmen in der Schweiz oder von Unternehmen ähnlicher Grösse in anderen Ländern. Die branchenspezifische Vergleichsgruppe umfasst auch Unternehmen wie AXA, Allianz, AIG, Munich Re, Aviva, ING Group, Prudential Plc, Met Life, Aegon, Ace, Travelers Cos. Inc., Manulife Financial Corp., Prudential Financial Inc. und Swiss Re. Der Entschädigungsausschuss überprüft diese Vergleichsgruppe regelmässig.

Die Ergebnisse der Benchmark-Studien werden bei der Festsetzung der Honorare der Mitglieder des Verwaltungsrats sowie der Vergütungsstrukturen und Vergütungsbeträge des CEO und der anderen Mitglieder der Konzernleitung berücksichtigt. Bei der Analyse der Ergebnisse der Benchmark-Studien werden Marktpraktiken in den verschiedenen Ländern und interne Vergleiche der einzelnen Positionen berücksichtigt. Die Gesamtausrichtung der Vergütungspakete orientiert sich an den Medianwerten.

Bei der regelmässigen Überprüfung der Vergütungsstrukturen und -praktiken werden der Entschädigungsausschuss und der Verwaltungsrat von dem Executive-Compensation-Bereich von Meridian Compensation Partners LLC (Meridian) und von Aon Hewitt, Teil der Aon Corporation (Aon Hewitt) unabhängig beraten. Der Entschädigungsausschuss überprüft die Mandate und Honorare und beurteilt kontinuierlich die Leistung. Sowohl Meridian als auch Aon Hewitt beraten den Verwaltungsrat, wobei der leitende Berater bei Meridian beschäftigt ist. Meridian erbringt keine weiteren Leistungen für die Gruppe. Obwohl bestimmte Abteilungen bei Aon Hewitt – ein grosses internationales Makler- und Personalberatungsunternehmen – von Zeit zu Zeit Arbeiten für die Gruppe erbringen, wird nach Einschätzung des Entschädigungsausschusses die Unabhängigkeit und die Integrität der Beratung, die er von Aon Hewitt erhält, durch diese separaten Aufträge nicht beeinträchtigt.

Das Management wird durch mehrere Beratungsunternehmen unterstützt, die im Bereich der Ausgestaltung von Vergütungssystemen für internationale Führungskräfte tätig sind.

Richtlinien zum Aktienbesitz von Mitgliedern des Verwaltungsrats und der Konzernleitung

Um die Interessen des Verwaltungsrats und der Konzernleitung mit denen der Aktionäre in Einklang zu bringen, sind die Mitglieder dieser Gremien gehalten, eigene Aktienpositionen an Zurich Insurance Group AG aufzubauen, und müssen bestimmte Richtlinien zum Aktienbesitz befolgen. Für Verwaltungsratsmitglieder wurde ein Aktienbesitz in der Höhe des jährlichen Grundhonorars festgelegt. Für Mitglieder der Konzernleitung legen die Richtlinien in Bezug auf definitive Zuteilungen für den CEO Aktienpositionen in fünffacher Höhe der Grundvergütung fest, und für die anderen Mitglieder der Konzernleitung in 2,5-facher Höhe der Grundvergütung. Die Verwaltungsratsmitglieder erreichen diese Vorgabe dadurch, dass ein Teil ihrer Honorarzahlungen in Aktien mit dreijähriger Veräusserungsbeschränkung geleistet wird, sowie über Zukäufe auf dem Markt. Die Mitglieder der Konzernleitung erreichen dies über ihre Beteiligung an langfristigen Incentive-Programmen und über Zukäufe am Markt. Für den Aufbau der verlangten Aktienpositionen haben die Mitglieder des Verwaltungsrats, der CEO und andere Mitglieder der Konzernleitung fünf Jahre Zeit. Die Einhaltung dieser Richtlinie wird durch den Entschädigungsausschuss jährlich überprüft.

Beteiligung der Aktionäre

An der ordentlichen Generalversammlung vom 4. April 2013 werden die Aktionäre, wie letztes Jahr, konsultativ über das Vergütungssystem abstimmen können. Da die endgültige Entscheidung über die Vergütung der Befugnis des Verwaltungsrats unterliegt, ist eine solche Abstimmung unverbindlich.

Vergütungsphilosophie

Mitglieder des Verwaltungsrats

Unter der Berücksichtigung, dass es sich bei Zurich um eine weltweit tätige Versicherungsgesellschaft handelt, wird die Höhe der Verwaltungsratshonorare so bemessen, dass die Gruppe hochkarätige Persönlichkeiten gewinnen und halten kann.

Die Höhe des Honorars wird für jedes Verwaltungsratsmitglied von Zurich Insurance Group AG basierend auf dessen Position im Verwaltungsrat und entsprechend der auf Seite 69 beschriebenen Vergütungsstruktur festgelegt. Die Honorare werden in bar und in Aktien ausbezahlt, wobei etwa ein Drittel des Grundhonorars in Aktien von Zurich Insurance Group AG mit einer dreijährigen Veräusserungsbeschränkung geleistet wird.

Die an die Verwaltungsratsmitglieder zu entrichtenden Honorare (einschliesslich des in veräusserungsbeschränkten Aktien entrichteten Anteils) sind nicht an das Erreichen spezifischer Leistungsziele gebunden.

Konzernleitung und alle anderen Mitarbeitenden

Für die Mitglieder der Konzernleitung, einschliesslich des CEO, und für alle anderen Mitarbeitenden der Gruppe wurden mehrere Schlüsselelemente hinsichtlich einer ausgewogenen und effektiv gestalteten Vergütungsstruktur eingeführt. Diese Elemente beinhalten eine konzernweite Vergütungsphilosophie, solide kurz- und langfristige Incentive-Programme, eine effektive Governance sowie eine enge Anbindung an die Geschäftsplanung und die Risikopolitik der Gruppe.

Zurich ist bestrebt, konkurrenzfähige Gesamtvergütungspakete anzubieten, um Mitarbeitende zu gewinnen, zu halten und so zu motivieren und zu entschädigen, dass sie hervorragende Leistungen erbringen. Die Vergütungsphilosophie ist ein integraler Bestandteil des Gesamtangebots an die Mitarbeitenden. Zurich verfügt über einen klar definierten weltweiten Prozess hinsichtlich des Performance Managements, der die Erreichung der Gesamtstrategie und der operativen Pläne des Unternehmens unterstützt und die individuelle Vergütung an die Unternehmensleistung und die persönliche Leistung koppelt. Dies erfolgt über ein Vergütungssystem, das von der Konzernleitung, dem Entschädigungsausschuss des Verwaltungsrats und dem Verwaltungsrat selbst überwacht wird.

Leitsätze der Vergütungsphilosophie

Die im Vergütungsreglement dargelegten Leitsätze zur Vergütungsphilosophie lauten wie folgt:

- Die Vergütungsstruktur der Gruppe ist einfach, transparent und umsetzbar. Für Personen, die als Key Risk Takers der Gruppe gelten, ist sie langfristig orientiert.

- Die Struktur und die Höhe der Gesamtvergütung sind auf die Risikopolitik der Gruppe und auf ihre Fähigkeit zur Übernahme von Risiken abgestimmt.

- Die Gruppe fördert eine leistungsorientierte Unternehmenskultur durch die Differenzierung der Gesamtvergütung hinsichtlich der Leistung des entsprechenden Geschäftsbereichs und des einzelnen Mitarbeitenden.

- Die Gruppe legt die erwartete Leistung anhand eines strukturierten Performance-Management-Systems klar fest und verwendet dieses als Entscheidungsgrundlage in Bezug auf die Vergütung.

Vergütungsbericht *fortgesetzt*

- Die Gruppe berücksichtigt bei den variablen Vergütungen relevante Leistungsfaktoren. Hierzu können die Leistung der Gruppe, der Geschäftsbereiche, der Geschäftseinheiten, der Funktionen sowie individuelle Leistungen gehören.

- Die kurz- und langfristigen Incentive-Programme der Gruppe, die für die variable Vergütung Anwendung finden, berücksichtigen geeignete absolute und relative Leistungskennzahlen. Bei der Festlegung des Gesamtfinanzierungsbetrages für variable Vergütungskomponenten wird der langfristige wirtschaftliche Erfolg der Gruppe miteinbezogen.

- Durch langfristige Incentive-Programme wird dieser Teil der variablen Vergütung an die zukünftige Entwicklung der Leistung und der Risiken gebunden, indem Mechanismen zum Aufschieben der Vergütung genutzt werden.

- Die Gruppe gewährt ihren Mitarbeitenden nach Massgabe der gängigen lokalen Marktpraxis eine Reihe von Nebenleistungen, unter Berücksichtigung der Risikokapazität der Gruppe im Hinblick auf die Finanzierung von Pensionsaufwendungen und Kapitalanlagen.

Gesamtvergütungen
Die Höhe der Gesamtvergütung eines einzelnen Mitarbeitenden hängt von mehreren Faktoren ab, wie z. B. dem Kompetenzbereich und der Komplexität der Funktion, dem Geschäftsverlauf, der wirtschaftlichen Situation der Gruppe, der persönlichen Leistung, den internen Verhältnissen sowie den rechtlichen Anforderungen. Wie auf den Seiten 57 und 62 beschrieben, werden die angestrebten Vergütungen mit den Medianwerten in klar definierten Märkten verglichen. Die Zusammensetzung der Vergütung aus Grundgehalt und variablem Gehalt wird zudem der gängigen lokalen Marktpraxis und internen Strukturen angepasst. Zurich kommuniziert transparent, wie die Vergütungsstruktur und die Verfahren für die Entscheidungsfindung festgelegt werden. Die Gesamtvergütung setzt sich aus den folgenden Elementen zusammen:

Elemente der Gesamtvergütung

Element		Art	Beschreibung
Grundgehalt		Fixe Barvergütung	Fixe Vergütung, nach Anforderungsprofil und Komplexität der Funktion In der Regel in der Bandbreite von 80 bis 120 Prozent des jeweiligen Marktmedians
Variable Vergütung	Kurzfristige Incentives (STIP – ein Jahr)	Leistungsbezogene Barvergütung	Für Direktionsmitglieder, oberes Management und eine breitere Gruppe von Mitarbeitenden, jährliche Auszahlung Leistungsmessung anhand der erzielten Geschäftsergebnisse und des Erreichens der strategischen Ziele Leistungsbezogene Elemente hängen von der Geschäfts- und der Einzelleistung ab
	Langfristige Incentives (LTIP – drei Jahre)	Leistungsbezogene Aktien	Für eine bestimmte Gruppe von Führungskräften Jährliche bedingte Zuteilungen, wobei jede jährliche bedingte Zuteilung in drei gleiche Tranchen aufgeteilt wird Die erste Tranche steht für das Jahr zur definitiven Zuteilung zur Verfügung, das auf das Jahr der bedingten Zuteilung folgt, die zweite Tranche im zweiten Jahr und die dritte Tranche im dritten Jahr, das auf das Jahr der bedingten Zuteilung folgt Die Bestimmung der definitiven Zuteilung erfolgt auf der Basis des erreichten relativen TSR und des ROE der Gruppe über die drei dem Datum der definitiven Zuteilung vorangehenden Kalenderjahre Die Hälfte der definitiv zugeteilten Aktien unterliegt einer Veräusserungsbeschränkung von drei Jahren
Nebenleistungen für Mitarbeitende		Fixe Leistungen	Nebenleistungen im Rahmen der gängigen lokalen Marktpraxis Pensionspläne (de-risked gemäss den Gruppenrichtlinien) Ausrichtung der Nebenleistungen an Medianwerten

Grundgehalt
Das Grundgehalt besteht aus dem Fixgehalt für die Ausübung einer Funktion, das in Abhängigkeit vom Kompetenzbereich und der Komplexität der Funktion festgelegt und jährlich überprüft wird. Die Grundgehaltsstrukturen sind so festgelegt, dass die Gehälter im Bereich der relevanten Marktmediane liegen und angepasst werden können. Auf individueller Ebene wird das Grundgehalt in der Regel innerhalb einer Bandbreite von 80% bis 120% des jeweiligen Marktmedians festgelegt. Die wichtigsten Faktoren bei der Bemessung des Gehalts sind die Gesamterfahrung und -leistung des Mitarbeitenden.

Variable Vergütung
Die Incentive-Programme ermöglichen eine Reihe von Anerkennungsfaktoren, die an das Leistungsniveau gekoppelt sind. Bei überdurchschnittlicher Leistung können Geschäftsergebnis und persönliche Leistung der Mitarbeitenden zu hohen, über den Zielgrössen liegenden variablen Zahlungen führen. Liegt die Leistung unter den Erwartungen, kann die variable Vergütung geringer als die Zielgrösse ausfallen. Variable Vergütungen werden in Märkten, in denen sie die Norm sind, gewährt, um die Mitarbeitenden zu motivieren und wichtige kurz- und langfristige Geschäftsziele zur Steigerung des Shareholder Value zu erreichen. Die variablen Gehaltskomponenten können sowohl kurzfristige als auch langfristige Incentives umfassen.

Vergütungsbericht *fortgesetzt*

Kurzfristige Incentive-Programme (ein Jahr) sind leistungsabhängig und wie folgt strukturiert:

- Kurzfristige Incentives werden bar ausgezahlt.
- Für jeden Teilnehmer wird für das Bemessungsjahr ein Zielbonus festgesetzt.
- Es gibt verschiedene Pools für die kurzfristigen Incentives, um alle Geschäftsbereiche der Gruppe abzudecken: das Leadership Team, jeder Geschäftsbereich, Operations, die Funktionen und das Corporate Center. Die Pool-Struktur wird jedes Jahr überprüft. Jeder Teilnehmer wird einem der STIP Finanzierungspools zugeordnet.
- Bei jedem STIP-Pool entspricht die Zielfinanzierung des Pools (Zielpool) der Summe der individuellen Zielboni der Poolteilnehmer.
- Die tatsächliche Finanzierung des STIP-Pools als Prozentsatz des Zielpools wird am Ende des Bemessungsjahres berechnet. Der Verwaltungsrat hat eine STIP-Leistungstabelle genehmigt, die die Unternehmensleistung mit der potenziellen Grösse des tatsächlichen Finanzierungspools verbindet. Unter Berücksichtigung des massgeblichen Unternehmenserfolgs und der Risikoerwägungen unterbreitet der CEO dem Entschädigungsausschuss Empfehlungen für die Finanzierungslevels der verschiedenen STIP-Pools, der diese im Anschluss erörtert und dem Verwaltungsrat zur Genehmigung vorlegt.
- Der relevante Unternehmenserfolg wird anhand des Geschäftsplans beurteilt, der vom Verwaltungsrat im Dezember des vor dem Bemessungsjahr liegenden Jahres genehmigt wurde. Zu den Finanzkennzahlen für die Finanzierung der Pools gehören typischerweise der Reingewinn der Gruppe für das Leadership Team und der massgebliche Betriebsgewinn (BOP) für die Geschäftssegmente. Bei Farmers wird nun auch die Geschäftsentwicklung der Farmers Exchanges berücksichtigt. Abhängig von den tatsächlichen Erfolgen können die STIP-Finanzierungspools zwischen 0% und 175% der Zielpools variieren. Wird die angestrebte Geschäftsleistung erreicht, beträgt die potenziell verfügbare STIP-Finanzierung als Prozent der angestrebten Zuteilungen etwa 100%. Wird die angestrebte Geschäftsleistung jedoch nicht erreicht, liegt die potenziell verfügbare STIP-Finanzierung als Prozent der angestrebten Zuteilungen normalerweise unter 100% und kann auf null gesetzt werden. Bei der Bewertung der Geschäftsergebnisse werden sowohl die finanzielle Leistung des Geschäftsbereichs als auch die Risikoerwägungen des Chief Risk Officer berücksichtigt.
- Die Aufteilung des STIP-Pools auf die einzelnen Teilnehmer basiert dann auf der Grösse des verfügbaren Finanzierungspools, den Ergebnissen der Geschäftseinheit, in der die betreffende Person arbeitet, und den während des Jahres vom jeweiligen Teilnehmer erreichten Leistungen. Etwaige Verletzungen interner oder externer Regeln oder Anforderungen durch einen Teilnehmer finden bei der Bewertung der individuellen Leistung Berücksichtigung. Die individuell erzielten Leistungen werden über das Performance-Management-Verfahren der Gruppe bewertet. Bei diesem Verfahren werden eine individuelle Bewertungsskala von 1 bis 5 (wobei 5 die höchste Bewertung ist) sowie eine Zielverteilungsrichtlinie für jede der Bewertungen verwendet. Damit wird sichergestellt, dass eine klare Differenzierung auf der Grundlage der persönlichen Leistung sowohl bei den Bewertungen als auch bei den STIP-Zahlungen vorgenommen wird.
- Abhängig von der Grösse des STIP-Pools und der individuellen Leistungsbewertung können die leistungsbezogenen Barvergütungen zwischen 0% und 200% des individuellen Zielbonuslevels variieren.
- Auf diese Weise werden die kurzfristigen leistungsbezogenen Barvergütungen auf der Grundlage der erzielten Leistungen des Unternehmens und des Einzelnen differenziert. Die Finanzierung basiert vollständig auf der Geschäftsentwicklung und unter der Annahme, dass die Mittel zur Verfügung stehen, beruht die resultierende Auszahlung auf der individuellen Leistung.

Kurzfristige Incentives werden primär über einen Gruppenplan sowie über einige lokale Länderpläne ausgerichtet. Der Gruppenplan wird im gesamten Unternehmen verwendet und ist in vielen Ländern für alle Mitarbeitenden des entsprechenden Landes, die für die Teilnahme ausgewählt werden, gültig. In anderen Ländern nimmt nur das oberste Management am Gruppenplan teil. In diesen Ländern können für die restlichen Mitarbeitenden lokale Pläne verwendet werden, welche im Wesentlichen nach den gleichen Prinzipien wie der Gruppenplan ausgestaltet sind.

In den letzten Jahren wurden über 10’000 Mitarbeitende von lokalen Incentive-Plänen auf den Gruppenplan umgestellt. Für die Jahre 2013 und 2014 soll die Möglichkeit, Mitarbeitende von lokalen Incentive-Plänen auf den Gruppenplan umzustellen, unter Berücksichtigung des gesetzlichen und marktspezifischen Umfelds, kontinuierlich analysiert werden.

Langfristige Incentive-Programme (drei Jahre) fördern das Erreichen der längerfristigen finanziellen Ziele der Gruppe und sind für eine bestimmte Gruppe von Führungskräften und das obere Management bestimmt, deren Aufgaben sich auf die Leistungsfaktoren für die langfristige Entwicklung des Shareholder Value konzentrieren. Zu dieser Gruppe gehören die Personen mit den höchsten Gesamtvergütungen sowie Personen, die als Key Risk Takers der Gruppe gelten. In Abstimmung mit dem Risikoprofil und der Geschäftsstrategie der Gruppe werden die langfristigen Incentives unter Berücksichtigung der wesentlichen Risiken und des zeitlichen Horizonts mit einem aufgeschobenen Element ausgestattet. Eine solche aufgeschobene Vergütung ist derart strukturiert, dass sie das Risikobewusstsein der Teilnehmer fördert und die Teilnehmer ermutigt, das Geschäft auf nachhaltige Weise zu führen.

Der Aufschub der langfristigen Incentives wird erreicht durch:

- anteilige definitive Zuteilung der bedingt zugeteilten langfristigen Incentives in Drittelraten über die drei auf das Jahr der bedingten Zuteilung folgenden Jahre und

- ausserdem ist die Hälfte der definitiv zugeteilten Aktien mit einer Veräusserungsbeschränkung von drei Jahren ab dem Tag der definitiven Zuteilung belegt.

Die von der Gruppe eingesetzten langfristigen Incentive-Programme können i) leistungsbezogene Aktien, ii) leistungsbezogene Aktienoptionen oder iii) bedingt zugeteilte Aktien bzw. eine Kombination dieser Instrumente umfassen. Die wichtigsten Gestaltungsmerkmale der langfristigen Incentive-Programme der Gruppe sind:

- Für jeden Teilnehmer wird jährlich eine Zielgrösse für die bedingte Zuteilung festgesetzt.

- Die bedingt zugeteilten Aktien oder Aktienoptionen werden in drei gleiche Tranchen aufgeteilt und jede Tranche wird für ihre definitive Zuteilung in den drei auf das Datum der bedingten Zuteilung folgenden Jahren bemessen. Dies wird in der folgenden Tabelle illustriert:

Entwicklung der Zuteilung aus dem Jahr 2012

	Jahr der definitiven Zuteilung und Jahr, in dem die für 50 Prozent der definitiv zugeteilten Aktien bestehenden Veräusserungsbeschränkungen ablaufen					
	2013	2014	2015	2016	2017	2018
Tranche 1 aus bedingter Zuteilung 2012	Bemessung der definitiven Zuteilung			Veräusserungsbeschränkungen laufen ab		
Tranche 2 aus bedingter Zuteilung 2012		Bemessung der definitiven Zuteilung			Veräusserungsbeschränkungen laufen ab	
Tranche 3 aus bedingter Zuteilung 2012			Bemessung der definitiven Zuteilung			Veräusserungsbeschränkungen laufen ab

Die folgende Tabelle zeigt, wie die Tranchen nach den jeweiligen jährlich bedingten Zuteilungen über die verschiedenen Kalenderjahre zugeteilt werden. Es gibt somit stets drei Tranchen aus drei früheren bedingten Zuteilungen, die in jedem Kalenderjahr bewertet und definitiv zugeteilt werden.

Jahr der definitiven Zuteilung für jede Tranche		
2013	2014	2015
Tranche 1 aus bedingter Zuteilung 2012	Tranche 1 aus bedingter Zuteilung 2013	Tranche 1 aus bedingter Zuteilung 2014
Tranche 2 aus bedingter Zuteilung 2011	Tranche 2 aus bedingter Zuteilung 2012	Tranche 2 aus bedingter Zuteilung 2013
Tranche 3 aus bedingter Zuteilung 2010	Tranche 3 aus bedingter Zuteilung 2011	Tranche 3 aus bedingter Zuteilung 2012

Vergütungsbericht *fortgesetzt*

- Von der Leistung abhängige, bedingt zugeteilte Incentives werden nur dann definitiv zugeteilt, wenn die Leistung der Gruppe bestimmte Bedingungen erfüllt, die anhand der den Aktionären zurechenbaren Eigenkapitalrendite ohne Vorzugspapiere (ROE) der Gruppe und der Gesamtrendite für die Aktionäre (Total Shareholder Return, TSR) im Vergleich mit einer weltweiten Gruppe von im Dow Jones Titan Insurance Index enthaltenen Versicherungsgesellschaften gemessen werden. Die Leistung wird über einen Zeitraum von drei Kalenderjahren vor dem Datum der definitiven Zuteilung gemessen. Der zugeteilte Prozentsatz kann, auf der Grundlage des tatsächlich erreichten ROE bzw. TSR zwischen 0% und 175% der bedingten Zuteilungen variieren. Wenn die Mindestgrenzen für die Leistung erreicht werden, werden die Leistungsbedingungen der Gruppe gleichermassen berücksichtigt. Wenn die Mindestgrenzen für die Leistung nicht erreicht werden, erfolgt keine definitive Zuteilung der bedingt zugeteilten Aktien und Aktienoptionen. Der Prozentsatz für die definitive Zuteilung wird dem Entschädigungsausschuss vom CEO vorgeschlagen, und der Entschädigungsausschuss unterbreitet dem Verwaltungsrat eine Empfehlung, welche dieser dann abschliessend genehmigt. Die Matrix für die endgültige Zuteilung ist wie folgt aufgebaut:

Long-Term Incentive Plan Vesting Matrix

in %		**Level für die definitive Zuteilung der bedingt zugeteilten Aktien- und Aktienoptionen**			
Relative Gesamtrendite für die Aktionäre (TSR) von Zurich während der jeweils vorangegangenen drei Jahre, basierend auf einer Gruppe von 28 Gesellschaften, die im Wesentlichen den Dow Jones Global Insurance Sector Titan Index bilden	Top-Quartil (Position: 1 bis 7)	100%	125%	150%	175%
	Zweites Quartil (Position: 8 bis 14)	75%	100%	125%	150%
		9%	12%	15%	18%
		Durchschnittliche Dreijahresleistung der Gruppe, bemessen anhand der Eigenkapitalrendite der Gruppe (ROE)			

Wenn der tatsächliche ROE der Gruppe zwischen den in der Tabelle angegebenen Werten liegt, wird der Prozentsatz für die endgültige Zuteilung durch Interpolation der Zahlen in der obigen Matrix ermittelt. Bei einem relativen TSR im zweiten Quartil und einem durchschnittlichen ROE von 14% im Dreijahreszeitraum läge die prozentuale definitive Zuteilung beispielsweise bei 117% der bedingt zugeteilten Aktien und Aktienoptionen.

Die zugrunde liegende Matrix wurde vom Verwaltungsrat überprüft und es wurde beschlossen, keine Änderungen daran vorzunehmen. Der Verwaltungsrat kann nach eigenem Ermessen das gegenwärtige wirtschaftliche Umfeld bei der Einschätzung der Gesamthöhe der definitiven Zuteilung berücksichtigen. An den errechneten Werten kann bei aussergewöhnlichen Marktumständen, beispielsweise hinsichtlich Zinssätzen, Wechselkursen etc., eine positive oder negative Anpassung um +/–25% vorgenommen werden. Der Verwaltungsrat hat beschlossen, für den Leistungszeitraum 2010 bis 2012 keine Änderungen im Rahmen seines Ermessens vorzunehmen.

Das Recht, die Höhe der individuellen Zuteilung zu ändern, um besonderen Umständen Rechnung zu tragen, ist dem CEO vorbehalten. Ausgenommen hiervon sind Änderungen, die die Mitglieder der Konzernleitung betreffen, bei denen dieses Recht dem Entschädigungsausschuss und dem Verwaltungsrat vorbehalten ist. Vor der definitiven Ausrichtung kann eine Anpassung des regulären Levels um +/–25% für die definitive Zuteilung vorgenommen werden. Wenn die Leistung es unter aussergewöhnlichen oder unüblichen Umständen rechtfertigt, können Ausnahmen von der +/–25%-Regel gemacht werden. In dieser Hinsicht behält sich das Unternehmen das Recht vor, die definitive Zuteilung anzupassen und den Vestingprozentsatz während der Periode vor der definitiven Zuteilung für einen Mitarbeitenden gegebenenfalls auf null zu setzen, um speziellen Umständen Rechnung zu tragen (z. B. im Zusammenhang mit einem Verstoss gegen interne oder externe Regelungen). Sämtliche derartigen Anpassungen sind jedoch ausschliesslich dem Entschädigungsausschuss und dem Verwaltungsrat vorbehalten.

Die variablen Vergütungsprogramme der Gruppe werden jährlich auf Inhalt und Teilnehmerkreis überprüft. Sie können jederzeit gekündigt, geändert, angepasst oder revidiert werden.

Nebenleistungen

Die Gruppe sieht für die Mitarbeitenden eine Reihe von Gehaltsnebenleistungen vor, die sich an der lokalen Marktpraxis orientieren. Die Mitarbeitenden sind im Allgemeinen angehalten, sich an den Kosten für diese Leistungen zu beteiligen. Das gesamte Leistungsangebot richtet sich nach dem jeweiligen Marktmedian.

Honorare und Vergütungen sowie Aktienbeteiligungen der Mitglieder des Verwaltungsrats und der Konzernleitung

Per 31. Dezember 2012 gehörte kein Verwaltungsratsmitglied der Zurich Insurance Group AG der erweiterten Konzernleitung an. Die Vergütung sowie der Aktienbesitz der Verwaltungsräte und der Mitglieder der Konzernleitung werden separat offengelegt.

Mitglieder des Verwaltungsrats

Verwaltungsratshonorare

Für ihre Mitgliedschaften im Verwaltungsrat der Zurich Insurance Group AG und der Zürich Versicherungs-Gesellschaft AG erhalten alle Verwaltungsratsmitglieder ein Honorar, das zum Teil bar und zum Teil durch Zuteilung von Aktien der Zurich Insurance Group AG mit einer dreijährigen Veräusserungsbeschränkung ausbezahlt wird. Die Aktien bilden einen Bestandteil der Gesamtvergütung, deren Höhe nicht vom Erreichen spezifischer Leistungsziele abhängig ist.

Im Jahr 2012 wurden an der 2011 festgelegten Honorarstruktur keine Änderungen vorgenommen. Der Verwaltungsrat hat ausserdem beschlossen, auch 2013 keine Änderungen vorzunehmen.

Mit Ausnahme des Präsidenten und des Vizepräsidenten erhalten in 2012 alle Mitglieder des Verwaltungsrats ein Jahresgrundhonorar von CHF 240’000 (2011: CHF 240’000). Davon wird ein Drittel, d. h. CHF 80’000 im Jahr 2012 (2011: CHF 80’000), in Form von veräusserungsbeschränkten Aktien der Zurich Insurance Group AG zugeteilt. Bei Mitgliedern, die während des Jahres neu hinzukommen oder ausscheiden, wird der Betrag anteilig errechnet. Mitglieder von Verwaltungsratsausschüssen erhalten für ihren Einsitz in den Ausschüssen, unabhängig von der Anzahl der Ausschüsse, eine zusätzliche Barvergütung in der Höhe von CHF 50’000 im Jahr 2012 (2011: CHF 50’000). Darüber hinaus erhält der jeweilige Präsident jedes Ausschusses 2012 eine Zusatzvergütung von CHF 30’000 (2011: CHF 30’000) und der Präsident des Prüfungsausschusses erhält zudem ein zusätzliches Honorar in der Höhe von CHF 10’000 (2011: CHF 10’000). Informationen darüber, in welchen Ausschüssen die Verwaltungsratsmitglieder tätig sind, sind im Bericht über die Corporate Governance auf Seite 26 zu finden.

Ist ein Verwaltungsratsmitglied gleichzeitig Mitglied des Verwaltungsrats einer oder mehrerer Tochtergesellschaften der Zurich Insurance Group AG, hat der Verwaltungsrat darüber hinaus einen Anspruch auf ein zusätzliches Honorar in der Höhe von CHF 50’000 im Jahr 2012 (2011: CHF 50’000) sowie von weiteren CHF 10’000 im Jahr 2012 (2011: CHF 10’000) pro Jahr, wenn er oder sie den Prüfungsausschuss eines solchen Verwaltungsrates präsidiert.

Das Jahresgrundhonorar des Vizepräsidenten im Jahr 2012 betrug CHF 375’000 (2011: CHF 375’000), wovon 2012 CHF 125’000 (2011: CHF 125’500) in Form veräusserungsbeschränkter Aktien von Zurich Insurance Group AG zugeteilt werden. Das Jahresgrundhonorar des Verwaltungsratspräsidenten von Zurich Insurance Group AG im Jahr 2012 betrug CHF 1’000’000 (2011: CHF 1’000’000), wovon ein Drittel, d. h. CHF 333’500 (2011: CHF 333’500), in Form von veräusserungsbeschränkten Aktien der Zurich Insurance Group AG zugeteilt wird. Weder der Präsident noch der Vizepräsident erhalten für ihre Tätigkeiten in den Verwaltungsratsausschüssen zusätzliche Honorare.

Basierend auf dieser Struktur beliefen sich die insgesamt an die Verwaltungsratsmitglieder von Zurich Insurance Group AG und Zürich Versicherungs-Gesellschaft AG gezahlten Honorare für das per 31. Dezember 2012 abgeschlossene Geschäftsjahr auf CHF 4’244’246. Diese umfassten CHF 3’166’298 in bar und zugeteilte Aktien mit einer Veräusserungsbeschränkung von drei Jahren, deren Wert sich zum Zeitpunkt der Zuteilung auf CHF 1’077’948 belief. Zum Zeitpunkt der Zuteilung betrug der Aktienkurs CHF 207.10. Der entsprechende Gesamtbetrag für 2011 belief sich auf CHF 4’257’500. Davon wurden CHF 3’079’000 in bar ausbezahlt, und der Wert der zugeteilten Aktien mit einer Veräusserungsbeschränkung von drei Jahren belief sich zum Zeitpunkt der Zuteilung auf CHF 1’178’500. Zum Zeitpunkt der Zuteilung im Jahr 2011 betrug der Aktienkurs CHF 218.90. Die Verwaltungsratshonorare sind nicht pensionsberechtigt.

In den nachstehenden Tabellen sind die in 2012 und 2011 an die Verwaltungsräte ausbezahlten Honorare in CHF aufgeführt:

Vergütungsbericht *fortgesetzt*

Verwaltungsratshonorare 2012

in CHF	2012 [1]						
	Grundhonorar	Ausschussvergütung [2]	Honorar für den Ausschussvorsitzenden [3]	Andere [7]	Gesamthonorar	davon entrichtet in bar [5]	davon zugeteilt in Aktien [4, 5]
J. Ackermann, Präsident [6,9]	846’198	–	–	–	846’198	563’399	282’799
M. Gentz, Präsident [6,9]	243’170	–	–	–	243’170	243’170	n/a
T. de Swaan, Vizepräsident [6,9]	342’172	12’159	7’295	85’000	446’626	332’569	114’057
S. Bies, Mitglied	240’000	50’000	–	50’000	340’000	260’000	80’000
A. Carnwath, Mitglied [9]	181’202	37’705	–	–	218’907	158’361	60’546
V. L.L. Chu, Mitglied	240’000	50’000	–	–	290’000	210’000	80’000
R. del Pino, Mitglied [9]	181’202	37’705	–	–	218’907	158’361	60’546
Th. Escher, Mitglied	240’000	50’000	22’623	–	312’623	232’623	80’000
F. Kindle, Mitglied	240’000	50’000	–	–	290’000	210’000	80’000
A. Meyer, Mitglied	240’000	50’000	–	–	290’000	210’000	80’000
D. Nicolaisen, Mitglied	240’000	50’000	40’000	50’000	380’000	300’000	80’000
V. L. Sankey, Mitglied [9]	58’361	12’159	7’295	–	77’815	77’815	n/a
R. Watter, Mitglied	240’000	50’000	–	–	290’000	210’000	80’000
Gesamt in CHF [8]	**3’532’305**	**449’728**	**77’213**	**185’000**	**4’244’246**	**3’166’298**	**1’077’948**

Verwaltungsratshonorare 2011

in CHF	2011 [1]						
	Grundhonorar	Ausschussvergütung [2]	Honorar für den Ausschussvorsitzenden [3]	Andere [7]	Gesamthonorar	davon entrichtet in bar [5]	davon zugeteilt in Aktien [4, 10]
M. Gentz, Präsident [6]	1’000’000	–	–	–	1’000’000	666’500	333’500
J. Ackermann, Vizepräsident [6]	375’000	–	–	–	375’000	250’000	125’000
S. Bies, Mitglied	240’000	50’000	–	50’000	340’000	260’000	80’000
V. L.L. Chu, Mitglied	240’000	50’000	–	–	290’000	210’000	80’000
Th. Escher, Mitglied	240’000	50’000	–	–	290’000	210’000	80’000
F. Kindle, Mitglied	240’000	50’000	–	–	290’000	210’000	80’000
A. Meyer, Mitglied	240’000	50’000	–	–	290’000	210’000	80’000
D. Nicolaisen, Mitglied	240’000	50’000	40’000	50’000	380’000	300’000	80’000
V. L. Sankey, Mitglied	240’000	50’000	30’000	–	320’000	240’000	80’000
T. de Swaan, Mitglied	240’000	50’000	30’000	72’500	392’500	312’500	80’000
R. Watter, Mitglied	240’000	50’000	–	–	290’000	210’000	80’000
Gesamt in CHF [8]	**3’535’000**	**450’000**	**100’000**	**172’500**	**4’257’500**	**3’079’000**	**1’178’500**

1 Die in den Tabellen ausgewiesene Vergütung versteht sich brutto, basiert auf dem Accrual-Prinzip und enthält keine geschäftlich bedingten Auslagen, die die Verwaltungsratsmitglieder in ihrer Funktion erhalten haben.
2 Mitglieder von Verwaltungsratsausschüssen erhalten für ihren Einsitz in den Ausschüssen, unabhängig von der Anzahl der Ausschüsse, eine Barvergütung in Höhe von insgesamt CHF 50’000 (2011: CHF 50’000). Informationen darüber, in welchen Ausschüssen die Verwaltungsratsmitglieder tätig sind, finden Sie im Bericht über die Corporate Governance auf Seite 26.
3 Die Vorsitzenden der jeweiligen Ausschüsse erhalten zusätzlich CHF 30’000 (2011: CHF 30’000) und der Vorsitzende des Prüfungsausschusses darüber hinaus noch CHF 10’000 (2011: CHF 10’000). Informationen darüber, in welchen Ausschüssen die Verwaltungsratsmitglieder tätig sind und wer den Vorsitz in den Ausschüssen führt, finden sich im Bericht über die Corporate Governance auf Seite 26.
4 Die den Mitgliedern des Verwaltungsrats zugeteilten Aktien unterliegen einer Veräusserungsbeschränkung von drei Jahren.
5 Per 16. Juni 2012 wurden Herrn Ackermann 1’365, Herrn de Swaan 550 und den anderen Mitgliedern des Verwaltungsrats je 386 Aktien, basierend auf dem Gesamtjahresmandat, zugeteilt. Die Anzahl Aktien, die den Mitgliedern aufgrund des ihnen zustehenden Honoraranteils, der in Aktien auszurichten ist, zugeteilt wurden, berechnet sich anhand des am 16. Juni 2012 gültigen Aktienkurses (CHF 207.10). Wenn der Wert der zugeteilten Aktien nicht dem Wert des in Aktien auszurichtenden Honoraranteils entsprach, wurde die Differenz in bar ausbezahlt.
6 Weder der Präsident noch der Vizepräsident erhalten für ihre Tätigkeit in den Verwaltungsratsausschüssen zusätzliche Honorare.
7 Zusätzlich zu ihren Honoraren als Verwaltungsratsmitglied von Zürich Versicherungs-Gesellschaft AG bezogen Frau Bies, Herr Nicolaisen und Herr de Swaan eine Vergütung für ihre Mitgliedschaften im Verwaltungsrat der folgenden Tochtergesellschaften von Zurich Insurance Group:
– Frau Bies und Herr Nicolaisen erhielten für 2012 und 2011 jeweils ein Jahreshonorar in Höhe von CHF 50’000 für ihre Mitgliedschaft im Verwaltungsrat von Zurich Holding Company of America (ZHCA).
– Herr de Swaan bezog 2012 für seine Mitgliedschaft im Verwaltungsrat von Zurich Insurance plc und von Zurich Life Assurance plc CHF 75’000. Ausserdem erhielt er für seine Tätigkeit als Präsident des Prüfungsausschusses dieser beiden Unternehmen ein Jahreshonorar von CHF 10’000. Im Jahr 2011 erhielt Herr de Swaan für seine Tätigkeit in den beiden Gremien CHF 72’500.
8 In Übereinstimmung mit den anwendbaren Gesetzen bezahlte Zurich im Jahr 2012 Arbeitgeberbeiträge an Sozialversicherungssysteme in Höhe von insgesamt CHF 160’340. 2011 beliefen sich die entsprechenden Beträge auf CHF 142’832. Sämtliche persönlichen Beiträge der Verwaltungsratsmitglieder an Sozialversicherungssysteme sind in den aufgeführten Beträgen in der vorstehenden Tabelle enthalten.
9 Bei der ordentlichen Generalversammlung am 29. März 2012 standen Herr Gentz und Herr Sankey nicht mehr zur Wiederwahl in den Verwaltungsrat zur Verfügung und Frau Carnwath und Herr del Pino wurden in den Verwaltungsrat gewählt. Herr Ackermann wurde zum Präsidenten und Herr de Swaan zum Vizepräsidenten des Verwaltungsrats ernannt.
10 Per 30. Juni 2011 wurden Herrn Gentz 1’523, Herrn Ackermann 571 und den anderen Mitgliedern des Verwaltungsrats je 365 Aktien, basierend auf dem Gesamtjahresmandat, zugewiesen. Die Anzahl Aktien, die den Mitgliedern aufgrund des ihnen zustehenden Honoraranteils, der in Aktien auszurichten ist, zugeteilt wurden, berechnet sich anhand des am 15. Juni 2011 gültigen Aktienkurses (CHF 218.90). Wenn der Wert der zugeteilten Aktien nicht dem Wert des in Aktien auszurichtenden Honoraranteils entsprach, wurde die Differenz in bar ausbezahlt.

Aufhebungsvereinbarungen für ausgeschiedene Mitglieder des Verwaltungsrats

Bei der Generalversammlung vom 29. März 2012 endete die Amtszeit von Herrn Gentz und Herrn Sankey und sie stellten sich nicht zur Wiederwahl. Es wurden keine Abfindungszahlungen (z. B. «golden parachutes») geleistet und es wurden keine anderen Vorteile wie Wegfall von Sperrfristen für Aktien, Verkürzung des Ausübungszeitraums oder zusätzliche Beiträge an die berufliche Vorsorge gewährt.

Sonderzahlungen an neue Verwaltungsratsmitglieder

Bei der Generalversammlung vom 29. März 2012 wurden Frau Carnwath und Herr del Pino neu in den Verwaltungsrat gewählt. Es wurden keine Sonderzahlungen (d. h. «golden handshakes») oder sonstige Leistungen gewährt.

Vergütung für ehemalige Verwaltungsratsmitglieder

Ehemalige Verwaltungsratsmitglieder erhielten weder im Verlauf des Jahres 2012 noch während des Jahres 2011 Leistungen.

Aktienpläne für Verwaltungsratsmitglieder

Die Mitglieder des Verwaltungsrats von Zurich Insurance Group AG und Zürich Versicherungs-Gesellschaft AG nehmen an keinem der Aktienbeteiligungsprogramme teil, die für das oberste Management der Gruppe eingerichtet worden sind. Allerdings wird ein Teil der Honorare der Verwaltungsräte von Zurich Insurance Group AG in Form von Aktien mit einer Veräusserungsbeschränkung von drei Jahren ausgerichtet. Die den Verwaltungsräten zugeteilten Aktien sind Teil der Gesamtvergütung und nicht an das Erreichen spezifischer Leistungsziele gebunden.

Aktienbeteiligung der Verwaltungsratsmitglieder

Im Folgenden ist der Aktienanteil von Aktien der Zurich Insurance Group AG, die Verwaltungsräte besitzen, welche bis zum Ende des jeweiligen Jahres im Amt waren, aufgelistet. Der ausgewiesene Aktienbesitz schliesst sämtliche Aktien mit ein, an denen das jeweilige Verwaltungsratsmitglied wirtschaftlich berechtigt ist (beneficial interest), inklusive der den Mitgliedern als Bestandteil ihres Honorars zugewiesenen Aktien mit einer Veräusserungsbeschränkung und der Aktien, die von mit ihnen nahestehenden Personen gehalten werden.

Von den Mitgliedern des Verwaltungsrats gehaltene Aktien

Anzahl der Aktien der Zürich Insurance Group AG[1] per 31. Dezember	Eigentum an Aktien	
	2012	2011
J. Ackermann, Präsident	23’271	806
M. Gentz, Präsident	n/a	6’868
T. de Swaan, Vizepräsident	2’079	1’529
S. Bies, Mitglied	1’632	1’246
A. Carnwath, Mitglied	292	n/a
V. L.L. Chu, Mitglied	1’632	1’246
R. del Pino, Mitglied	292	n/a
Th. Escher, Mitglied	9’470	7’084
F. Kindle, Mitglied	16’915	16’529
A. Meyer, Mitglied	3’239	2’853
D. Nicolaisen, Mitglied	1’915	1’529
V. L. Sankey, Mitglied	n/a	2’699
R. Watter, Mitglied	4’883	4’497
Total	**65’620**	**46’886**

[1] Kein Mitglied des Verwaltungsrats hielt per 31. Dezember 2012 bzw. 2011 allein oder gemeinsam mit einer oder mehreren mit ihm nahestehenden Personen mehr als 0,5 Prozent der Stimmrechte der Zurich Insurance Group AG.

Aktienoptionen der Verwaltungsratsmitglieder

Die Verwaltungsratsmitglieder von Zurich Insurance Group AG und Zürich Versicherungs-Gesellschaft AG nehmen an keinem Aktienoptionsprogramm des obersten Managements teil. Daher wurden ihnen weder im Berichtsjahr noch in den vorangehenden Jahren Aktienoptionen zugeteilt. Weder Mitglieder des Verwaltungsrats noch ihnen nahestehende Personen hielten per 31. Dezember 2012 oder per 31. Dezember 2011 Options- oder Wandelrechte auf Aktien von Zurich Insurance Group AG.

Zusätzliche Honorare und Vergütungen für Verwaltungsratsmitglieder

Keines der Mitglieder des Verwaltungsrats hat – abgesehen von den oben aufgeführten Vergütungen – weitere Vergütungen oder Sachleistungen von der Gruppe oder von einem zur Gruppe gehörenden Unternehmen erhalten.

Vergütungsbericht *fortgesetzt*

Persönliche Darlehen für Verwaltungsräte

Unabhängig von seiner Mitgliedschaft im Verwaltungsrat und zu für andere Kunden verfügbaren Bedingungen hatte Herr Watter per 31. Dezember 2012 und 31. Dezember 2011 ein gesichertes Policendarlehen in Höhe von CHF 2,5 Mio. ausstehen. Der Jahreszins, der auf dieses Darlehen erhoben wird, beträgt 4%. Mit Ausnahme des Darlehens für Herrn Watter hatte kein Verwaltungsratsmitglied per 31. Dezember 2012 oder 31. Dezember 2011 ausstehende Darlehen, Vorschüsse oder Kredite.

Persönliche Darlehen für ehemalige Verwaltungsratsmitglieder

Per 31. Dezember 2012 bzw. 31. Dezember 2011 hatte kein ehemaliges Mitglied des Verwaltungsrats ausstehende Darlehen, Vorschüsse oder Kredite.

Den Verwaltungsratsmitgliedern oder ehemaligen Verwaltungsratsmitgliedern nahestehende Personen

Den Mitgliedern des Verwaltungsrats oder ehemaligen Mitgliedern des Verwaltungsrats nahestehende Personen erhielten im Verlauf des Jahres 2012 bzw. 2011 keine Leistungen, noch wurde auf Forderungen ihnen gegenüber verzichtet. Zudem bestanden gegenüber den Verwaltungsratsmitgliedern oder ehemaligen Verwaltungsratsmitgliedern nahestehenden Personen per 31. Dezember 2012 bzw. 31. Dezember 2011 keine ausstehenden Darlehen, Vorschüsse oder Kredite.

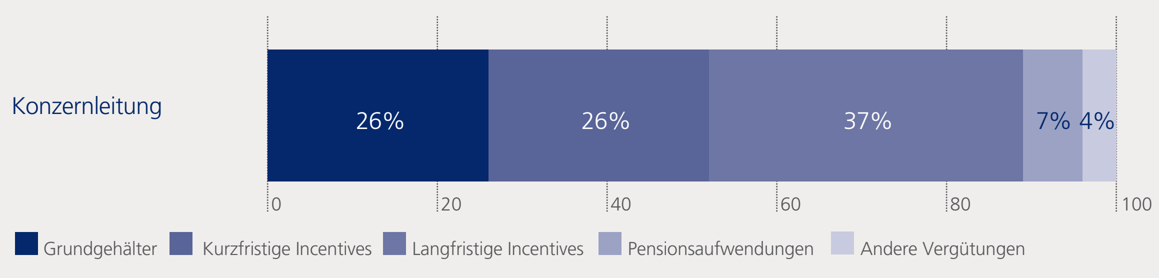
Konzernleitung

Vergütung der Konzernleitung

Der Gesamtbetrag der an die Mitglieder der Konzernleitung im Jahr 2012 bezahlten Vergütungen entspricht dem Wert der Barvergütungen (einschliesslich Vergütungen im Rahmen des kurzfristigen Incentive-Programms), der im Rahmen des Group LTIP im Jahr 2012 bedingt zugeteilten Aktien und Aktienoptionen, der Pensionen und der sonstigen Vergütungen.

Die Vergütungsstruktur und der Mix der Vergütungselemente für die Mitglieder der Konzernleitung wird unter Berücksichtigung der relevanten Marktpraxis und der internen Verhältnisse festgelegt.

Die Aufteilung der Gesamtvergütung auf die einzelnen Vergütungskomponenten im Jahr 2012 ist in der nachstehenden Grafik dargestellt; sie basiert auf den Zielwerten für die leistungsbezogene Vergütung.



Wie aus der vorstehenden Grafik ersichtlich ist, besteht eine angemessene Ausgewogenheit der Vergütungskomponenten mit Gewichtung zugunsten leistungsbezogener Vergütung sowohl durch das kurzfristige als auch durch das langfristige Incentive-Programm. Das Verhältnis der Zielwerte zwischen kurzfristigen (einjährigen) und langfristigen (dreijährigen) Incentives zeigt eine stärkere Gewichtung langfristiger Incentives.

Die einzelnen Vergütungselemente werden nachstehend detaillierter beschrieben (die Beträge schliessen jeweils die Vergütung für das höchstbezahlte Mitglied der Konzernleitung ein):

Wert der Gesamtvergütung

Der Gesamtwert der verschiedenen Vergütungskomponenten der Mitglieder der Konzernleitung belief sich 2012 auf USD 46,4 Mio., eine Veränderung von USD 3,9 Mio. gegenüber dem Betrag von USD 50,3 Mio. im Jahr 2011, der auf derselben Basis berechnet wurde. Die Abnahme basiert auf Veränderungen der Mitgliedschaft in der Konzernleitung und auf einem niedrigeren Aufwand für leistungsbezogene Barvergütung für das Jahr. In Schweizer Franken verringerte sich der Gesamtwert von CHF 45,4 Mio. auf CHF 42,6 Mio.

Der Gesamtwert für das Geschäftsjahr 2012 setzt sich aus folgenden Elementen zusammen (die Vergleichszahlen für 2011 sind in der Tabelle zum Gesamtbetrag der an die Mitglieder der Konzernleitung bezahlten Vergütungen aufgeführt):

Für 2012 bezahltes Grundgehalt und jährliche leistungsbezogene Barvergütung
Der Gesamtbetrag der Grundgehälter und der jährlichen leistungsbezogenen Barvergütungen im Rahmen des Group STIP für 2012 beliefen sich auf USD 24,3 Mio. Davon entfielen USD 12,0 Mio. auf die Grundgehälter und USD 12,3 Mio. auf die jährliche leistungsbezogene Barvergütung, die 2013 für die im Geschäftsjahr 2012 erzielte Leistung ausbezahlt werden. Wie auf Seite 66 dargelegt, sind die jährlich leistungsbezogenen Barvergütungen leistungsabhängig und werden individuell festgelegt.

Die zur Verfügung stehende Finanzierungssumme für leistungsbezogene Barvergütungen ist von dem im Geschäftsjahr 2012 erzielten Gewinn der Gruppe abhängig. Die leistungsbezogenen Barvergütungen an die einzelnen Mitglieder werden anhand verschiedener Faktoren festgelegt. Dazu gehören die Geschäftsergebnisse derjenigen Geschäftseinheiten, für die das Mitglied der Konzernleitung verantwortlich ist, und der individuelle Beitrag des Mitgliedes zur Erreichung der strategischen Ziele im Laufe des Jahres. Für die Mitglieder der Konzernleitung, einschliesslich des CEOs, variiert das Niveau der Vergütung im Rahmen des Group STIP bei Erreichen der Zielvorgaben für 2012 zwischen 75% und 100% des Grundgehalts. Die höchstmögliche Vergütung für alle Mitglieder der Konzernleitung, einschliesslich des CEOs, beträgt 200% dieses Zielniveaus.

Den Mitgliedern der Konzernleitung im Rahmen des Group LTIP zugeteilte Aktien für 2012
Wie oben beschrieben erhielten die Mitglieder der Konzernleitung 2012 im Rahmen des Group LTIP eine jährliche bedingte Zuteilung von leistungsbezogenen Aktien. Unter besonderen Umständen können zudem auch noch Zuteilungen von Aktien mit einer Veräusserungsbeschränkung vorgenommen werden. Für die Mitglieder der Konzernleitung, einschliesslich des CEOs, wurde 2012 der Zielwert der bedingt zugeteilten leistungsbezogenen Aktien und Aktienoptionen auf 100% bis 225% des Grundgehalts des jeweiligen Mitglieds festgesetzt.

Wie in früheren Jahren erfolgte die bedingte Zuteilung der Aktien für 2012 am dritten Arbeitstag im April, d. h. am 3. April 2012. Die Zielanzahl der leistungsbezogenen Aktien wurde berechnet anhand der Division des Geldwerts der Zuteilung durch den Aktienpreis vom Vortag der Zuteilung.

Die definitive Zuteilung der bedingt zugeteilten Aktien sowie die Leistungs-Kriterien sind auf den Seiten 66 bis 67 dargestellt. 2012 wurden folgende Aktienzuteilungen unter dem Group LTIP vorgenommen:

Zuteilung von leistungsbezogenen Aktien
Die Gesamtzahl der an die Mitglieder der Konzernleitung im Jahr 2012 bedingt zugeteilten leistungsbezogenen Aktien betrug 67’296. Dieser Anzahl stehen 63’787 bedingt zugeteilte Aktien im Jahr 2011 gegenüber. Zum Zeitpunkt der bedingten Zuteilung am 3. April 2012 belief sich der Wert dieser an die Mitglieder der Konzernleitung 2012 bedingt zugeteilten Aktien auf USD 16,8 Mio., basierend auf der Annahme einer definitiven Zuteilung in der Höhe von 100%, einem der Berechnung zugrunde liegenden Aktienkurs am Tag vor der bedingten Zuteilung von CHF 225.90 sowie einem Wechselkurs von CHF 1 = USD 0.90315. Für die während des Jahres 2012 neu hinzugekommen Mitglieder der Konzernleitung, werden die Zahl und der Wert der bedingt zugeteilten Aktien auf der Basis der bedingten Zuteilung für das Jahr 2012 anteilig für die Zeit errechnet, für die sie während des Jahres Mitglied der Konzernleitung waren.

Die Zahl der Aktien, die im Berichtsjahr den Mitgliedern der Konzernleitung aus den bedingten leistungsbezogenen Aktienzuteilungen in den Jahren 2009, 2010 und 2011 definitiv zugeteilt wurden, belief sich auf 30’526. Basierend auf den erzielten Werten des ROEs und des TSRs mit Bezug auf die LTIP Vesting Matrix auf Seite 66 entsprach dies einem Level für die definitive Zuteilung von 110%. Die Hälfte der Aktien, die im Rahmen des Plans definitiv zugeteilt werden, unterliegt ab dem Tag der definitiven Zuteilung einer dreijährigen Veräusserungsbeschränkung.

Bedingt zugeteilte Aktien
Die bedingte Zuteilungen von Aktien ergänzen die regulären langfristigen Incentive-Zuteilungen und kommen unter besonderen Umständen zur Anwendung. Dazu zählen hauptsächlich Zuteilungen an neue Mitarbeitende zur Kompensation für den Verlust ihrer Aktienansprüche gegenüber ihrem früheren Arbeitgeber. Diese bedingt zugeteilten Aktien werden normalerweise in den nächsten drei bis fünf Jahren nach dem Zeitpunkt der bedingten Zuteilung definitiv zugeteilt und verfallen, wenn der Inhaber solcher Aktien das Unternehmen vor dem Datum der definitiven Zuteilung freiwillig verlässt und das Anstellungsverhältnis beendet wird.

An die Mitglieder der Konzernleitung wurden 2012 und 2011 keine Aktien bedingt zugeteilt.

Zugeteilte Aktienoptionen
Die Zahl der Aktienoptionen, die den im Jahr 2012 in der Konzernleitung tätigen Mitgliedern aus den bedingt zugeteilten Aktienoptionen der Jahre 2009 und 2010 definitiv zugeteilt wurden, belief sich im Jahr 2012 auf 91’747. Basierend auf den erzielten Werten des ROEs und des TSRs entsprach dies einem Level für die definitive Zuteilung von 110%.

Vergütungsbericht *fortgesetzt*

Wert der im Laufe des Jahres 2012 entstandenen Pensionsanwartschaften

Die Mitglieder der Konzernleitung sind in den Pensionsplänen der Einheit versichert, bei denen sie angestellt sind. Die Gruppe verfolgt die Philosophie, Pensionsleistungen anzubieten, die auf einem Cash-Balance-Ansatz und/oder einem Beitragsprimat gründen, wobei während der ganzen Berufstätigkeit Kapital für die Altersleistungen angespart wird. Die Mehrheit der Mitglieder der Konzernleitung ist bereits in solchen Plänen versichert, und mit der Zeit werden alle Mitglieder der Konzernleitung in solchen Plänen versichert sein. Die übrigen Mitglieder der Konzernleitung sind in Leistungsprimatsplänen versichert, deren künftige Leistungen auf dem zuletzt erzielten pensionsrelevanten Gehalt und der Anzahl der Versicherungsjahre basieren. Das normale Pensionsalter variiert zwischen 60 und 65 Jahren. Der Gesamtwert der für die Mitglieder der Konzernleitung im Jahr 2012 entstandenen Pensionsanwartschaften, berechnet auf der Grundlage der für die Gesellschaft anfallenden «Service Costs» gemäss dem Rechnungslegungsgrundsatz IAS 19, belief sich auf USD 3,3 Mio. Die «Service Costs» gemäss IAS 19 berechnen sich anhand des Betrags der im Laufe des Jahres entstandenen Pensionsanwartschaften und bei Beitragsprimatplänen anhand der vom Unternehmen während des Geschäftsjahres bezahlten Beiträge.

Wert der sonstigen Vergütungen für 2012

Die Mitglieder der Konzernleitung erhielten 2012 sonstige Vergütungen in Form von Mitarbeitervergünstigungen, Aufwandszahlungen im Zusammenhang mit Auslandsentsendungen, Nebenleistungen sowie Sachleistungen und andere Leistungen, die gemäss den jeweiligen Arbeitsverträgen der einzelnen Mitarbeitenden geschuldet sind. Der Gesamtwert der sonstigen Vergütungen belief sich 2012 auf USD 2,0 Mio. Die Sachleistungen wurden zum Marktwert bewertet.

Zusammenfassung der Gesamtvergütung für die Konzernleitung

Unter Bezugnahme auf die oben aufgeführten Zahlen umfasst der Gesamtbetrag der an die Mitglieder der Konzernleitung im Jahr 2012 bezahlten Vergütungen, bestehend aus Barvergütungen, dem Wert bedingt zugeteilter Aktien und Aktienoptionen, Pensionsanwartschaften und dem Wert sonstiger Vergütungen, USD 46,4 Mio. Der Wert für 2011 lag bei USD 50,3 Mio. Der Gesamtbetrag teilt sich wie folgt auf:

Alle Mitglieder der Konzernleitung (einschl. des höchstbezahlten Mitglieds)

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	2012[1,2]	2011[1,3]
Grundgehalt	12,0	12,7
Leistungsbezogene Barvergütung für das Jahr	12,3	14,0
Wert der bedingt zugeteilten, leistungsbezogenen Aktienoptionen[4]	16,8	16,8
«Service Costs» für Pensionsanwartschaften[5]	3,3	3,4
Wert der sonstigen Vergütungen[6]	2,0	3,4
Gesamt in USD[7]	**46,4**	**50,3**
Gesamt in CHF[8]	**42,6**	**45,4**

[1] Die in den Tabellen ausgewiesene Vergütung versteht sich brutto, basiert auf dem Accrual-Prinzip und enthält keine geschäftlich bedingten Auslagen, die bei der Tätigkeit der Mitglieder der Konzernleitung angefallen sind.
[2] Auf der Grundlage von 13 Mitgliedern der Konzernleitung, von denen 9 während des ganzen Jahres 2012 tätig waren.
[3] Auf der Grundlage von 12 Mitgliedern der Konzernleitung, von denen 9 während des ganzen Jahres 2011 tätig waren.
[4] Die bedingt zugeteilten leistungsbezogenen Aktien werden in der Zukunft entsprechend dem Erreichen der festgelegten Leistungsziele definitiv zugeteilt. Die Bewertung der bedingt zugeteilten Aktien basiert auf der Annahme einer definitiven Zuteilung in der Höhe von 100%. Der Bewertung der bedingt zugeteilten leistungsbezogenen Aktien wird der Aktienkurs am Tag vor der bedingten Zuteilung (CHF 225.90 für 2012 und CHF 243.60 für 2011) zugrunde gelegt.
[5] Die Beträge reflektieren den Gesamtwert der entstandenen Pensionsanwartschaften der Mitglieder der Konzernleitung während der Jahre 2011 und 2012, berechnet auf der Grundlage der für die Gesellschaft anfallenden «Service Costs» gemäss dem Rechnungslegungsgrundsatz IAS 19. Die «Service Costs» gemäss IAS 19 berechnen sich anhand des Betrags der im Laufe des Jahres entstandenen Pensionsanwartschaften und bei Beitragsprimatplänen anhand der vom Unternehmen während des Geschäftsjahres bezahlten Beiträge. In den «Service Costs» nicht enthalten sind der Zinsaufwand auf bestehende Anwartschaften, Anpassungen für aktuarielle Gewinne und Verluste sowie die erwartete Rendite auf gehaltene Aktiven.
[6] Enthält Mitarbeitervergünstigungen, Aufwandszahlungen im Zusammenhang mit Auslandentsendungen, Nebenleistungen sowie Sachleistungen und andere Leistungen, die gemäss den jeweiligen Arbeitsverträgen der einzelnen Mitarbeitenden geschuldet sind. Die Sachleistungen wurden zum Marktwert bewertet.
[7] In Übereinstimmung mit den am Anstellungsort der Mitglieder der Konzernleitung anwendbaren Gesetzen bezahlte Zurich Arbeitgeberbeiträge an Sozialversicherungssysteme in der Höhe von USD 1,7 Mio. für das Jahr 2012 bzw. USD 2,2 Mio. für das Jahr 2011. Da die Beitragszahlungen auf das Gesamteinkommen berechnet werden, während die künftigen ausbezahlten Leistungen einer Maximalhöhe unterliegen, besteht keine direkte Korrelation zwischen den an das Sozialversicherungssystem bezahlten Beiträgen und den Leistungen, die die Mitglieder der Konzernleitung künftig erhalten werden.
[8] Die Beträge wurden während des Jahres zu den geltenden Wechselkursen in Schweizer Franken umgerechnet und die 2013 zu bezahlende leistungsbezogene Barvergütung wurde zum Jahresendkurs 2012 umgerechnet.

Auf der Grundlage dieser Zahlen entfallen vom Wert der Gesamtvergütung für alle Mitglieder der Konzernleitung 37% (2011: 39%) auf fixe Vergütungskomponenten (bestehend aus Grundgehalt, «Service Costs» für Pensionsanwartschaften und sonstige Vergütungen) und 63 % (2011: 61%) auf leistungsbezogene Komponenten (bestehend aus leistungsbezogenen Barvergütungen im Rahmen des Group STIP sowie dem Wert der bedingten, leistungsbezogenen Aktienzuteilungen).

Mitglied der Konzernleitung mit der höchsten Gesamtvergütung

Die höchste Gesamtvergütung für ein Mitglied der Konzernleitung erhielt mit CHF 7,6 Mio. Herr Senn, CEO der Gruppe. Dieser Betrag umfasst das Grundgehalt für 2012, die leistungsbezogene Barvergütung für das Jahr, den Wert bedingt zugeteilter Aktien und Aktienoptionen, Pensionsanwartschaften und den Wert sonstiger Vergütungen. Dem steht ein Betrag von CHF 7,9 Mio. im Jahr 2011 gegenüber. Die Vergütung von Herrn Senn wird in Schweizer Franken ausbezahlt.

In der nachstehenden Tabelle ist die Gesamtvergütung für das am höchsten bezahlte Mitglied der Konzernleitung aufgeführt.

Höchstbezahltes Mitglied der Konzernleitung, Chief Executive Officer, Martin Senn im Jahr 2012 und 2011

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	**2012[1]**	2011[1]
Grundgehalt	1,60	1,60
Leistungsbezogene Barvergütung für das Jahr	2,00	2,40
Wert der bedingt zugeteilten, leistungsbezogenen Aktienoptionen[2]	3,60	3,60
«Service Costs» für Pensionsanwartschaften[3]	0,30	0,20
Wert der sonstigen Vergütungen[4]	0,10	0,10
Gesamt in CHF	**7,60**	**7,90**
Gesamt in USD[5]	**8,30**	**8,60**

1 Die in den Tabellen ausgewiesene Vergütung versteht sich brutto, basiert auf dem Accrual-Prinzip und enthält keine geschäftlich bedingten Auslagen, die bei der Tätigkeit des CEOs angefallen sind.
2 Die bedingt zugeteilten leistungsbezogenen Aktien werden in der Zukunft entsprechend dem Erreichen der festgelegten Leistungsziele definitiv zugeteilt. Die Bewertung der bedingt zugeteilten Aktien basiert auf der Annahme einer definitiven Zuteilung in Höhe von 100%. Der Bewertung der bedingt zugeteilten leistungsbezogenen Aktien wird der Aktienkurs am Tag vor der bedingten Zuteilung (CHF 225.90 für 2012 und CHF 243.60 für 2011) zugrunde gelegt.
3 Die Beträge reflektieren den Gesamtwert der entstandenen Pensionsanwartschaften während der Jahre 2011 und 2012, berechnet auf der Grundlage der für die Gesellschaft anfallenden «Service Costs» gemäss dem Rechnungslegungsgrundsatz IAS 19. Die «Service Costs» gemäss IAS 19 berechnen sich anhand des Betrags der im Laufe des Jahres entstandenen Pensionsanwartschaften und bei Beitragsprimatplänen anhand der vom Unternehmen während des Geschäftsjahres bezahlten Beiträge. In den «Service Costs» nicht enthalten sind der Zinsaufwand auf bestehende Anwartschaften, Anpassungen für aktuarielle Gewinne und Verluste sowie die erwartete Rendite auf gehaltene Aktiven.
4 Enthält Mitarbeitervergünstigungen, Aufwandszahlungen im Zusammenhang mit Auslandentsendungen, Nebenleistungen sowie Sachleistungen und andere Leistungen, die gemäss den jeweiligen Arbeitsverträgen der einzelnen Mitarbeitenden geschuldet sind. Die Sachleistungen wurden zum Marktwert bewertet.
5 Herrn Senns Vergütung wird in Schweizer Franken ausbezahlt. Die Beträge wurden während des Jahres zu den geltenden Wechselkursen von Schweizer Franken in US-Dollar umgerechnet und der 2013 zu zahlende Cash Incentive wurde zum Jahresendkurs 2012 umgerechnet.

Sonderzahlungen an Mitglieder der Konzernleitung, die ihre Funktion im Laufe des Jahres übernommen haben

Während des Jahres 2012 wurden drei neue Mitglieder in die Konzernleitung berufen. Es wurden keine Sonderzahlungen (d. h. «golden handshakes») oder sonstige Leistungen an die neuen Mitglieder gewährt.

Aufhebungsvereinbarungen für im Geschäftsjahr ausgeschiedene Mitglieder der Konzernleitung

Während des Jahres 2012 schieden zwei Mitglieder aus der Konzernleitung aus. Vereinbarungen mit den austretenden Mitgliedern zufolge erhielten diese Vergütung im Rahmen ihrer Arbeitsverträge. Es wurden keine Abfindungszahlungen (z. B. «golden parachutes») geleistet und es wurden keine anderen Vorteile wie Vereinbarungen über spezielle Kündigungsfristen oder längerfristige Verträge (mit über 12 Monaten Dauer), Wegfall von Sperrfristen für Aktien, Verkürzung des Ausübungszeitraums oder zusätzliche Beiträge an die berufliche Vorsorge gewährt.

Vergütung für ehemalige Mitglieder der Konzernleitung

Wie in früheren Geschäftsberichten dargelegt, ist das Mitglied, das nach seiner langjährigen Arbeit für das Unternehmen Ende 2010 pensioniert wurde, 2011 und 2012 weiterhin als Berater für die Gruppe tätig. Unter Berücksichtigung der vorherigen vertraglichen Verpflichtungen, der Einhaltung nachvertraglicher Pflichten und der Erbringung von Dienstleistungen im Jahr 2012 erhielt das ehemalige Mitglied 2012 eine Vergütung von USD 2,4 Mio. Keine anderen ehemaligen Mitglieder der Konzernleitung erhielten im Jahr 2012 eine Vergütung.

Zusammenfassung der insgesamt ausstehenden Aktienzuteilungsverpflichtungen für Mitglieder der Konzernleitung im Rahmen des Group LTIP

Aktienzuteilungen

Zuteilung von leistungsbezogenen Aktien

Die Gesamtzahl der per 31. Dezember 2012 im Rahmen des Group LTIP an Mitglieder der Konzernleitung bedingt zugeteilten leistungsbezogenen Aktien belief sich auf 98’257 (77’273 per 31. Dezember 2011). Die folgende Tabelle enthält eine Zusammenfassung der per 31. Dezember 2012 ausstehenden bedingten Zuteilungen:

Vergütungsbericht *fortgesetzt*

Zusammenfassung der ausstehenden leistungsorientierten Aktienzuteilungen

Leistungs-Periode	Ausstehende Zuteilung leistungsorientierter Aktien	Zugewiesener Preis in CHF	Künftige Jahre der definitiven Zuteilung
2012–2014	59'629	225.90	2013–2015
2011–2013	31'972	243.60	2013–2014
2010–2012	6'656	259.90	2013

Diese im Rahmen des Group LTIP vorgenommenen bedingten, leistungsbezogenen Aktienzuteilungen sind für eine definitive Zuteilung in den drei auf die bedingte Zuteilung folgenden Jahren in Teilausrichtungen zu je einem Drittel bestimmt und ausserdem ist die Hälfte der definitiv zugeteilten Aktien mit einer dreijährigen Veräusserungsbeschränkung belegt. Die tatsächliche Höhe der Teilausrichtungen wird in Übereinstimmung mit den auf Seite 63 aufgeführten Vergütungsleitsätzen und der LTIP Vesting Matrix, wie auf Seite 68 beschrieben, festgelegt.

Bedingt zugeteilte Aktien
Per 31. Dezember 2012 waren bedingt zugeteilten Aktien für Mitglieder der Konzernleitung ausstehend (Ende 2011 waren 494 bedingt zugeteilte Aktien ausstehend).

Zugeteilte Aktienoptionen
Im Rahmen des Aktienoptionsprogramms für das oberste Management hat die Gruppe nach Massgabe der Reglemente Aktienoptionen ausgegeben. Seit 2011 wurden keine Aktienoptionen mehr zugeteilt.

Im Zusammenhang mit der Neugestaltung des Group LTIP im Jahr 2003 wurden Zuteilungen von Aktienoptionen jedes Jahr am dritten Arbeitstag im April vorgenommen. Darüber hinaus wurde der Ausübungspreis bei den damals bedingt zugeteilten Optionen anhand des Aktienkurses am Tag vor der bedingten Zuteilung bestimmt. Die bedingt zugeteilten Aktienoptionen sind für eine definitive Zuteilung in den drei auf die bedingte Zuteilung folgenden Jahren in Teilausrichtungen zu je einem Drittel bestimmt. Die tatsächliche Höhe der Teilausrichtungen wird nach der LTIP Vesting Matrix, wie auf Seite 68 beschrieben, festgelegt.

Um zu vermeiden, dass Führungskräfte den Wert ihrer Optionen verlieren, hat der Verwaltungsrat im Jahr 2011 einen Exersale für alle Optionen beschlossen, die am Ende der Ausübungsfrist im Geld liegen. Ansonsten käme es zu einem Verlust, wenn den Führungskräften aufgrund des Besitzes preissensibler Informationen der Handel untersagt würde.

Die Gesamtzahl der im Rahmen des Aktienoptionsprogramms aus Optionen resultierenden Aktien für die Mitglieder der Konzernleitung per 31. Dezember 2012 bzw. 31. Dezember 2011 ist in den nachstehenden Tabellen aufgeführt.

Zusammenfassung der ausstehenden Optionen, 2012

per 31. Dezember 2012

Jahr der bedingten Zuteilung	Anzahl definitiv zugeteilter Optionen	Anzahl bedingt zugeteilter Optionen	Gesamtzahl der Aktien aus Optionen	Ausübungspreis je Aktie in CHF	Verfall
2010	145'649	59'453	205'102	259.90	2017
2009	82'728	–	82'728	198.10	2016
2008	79'893	–	79'893	336.50	2015
2007	80'506	–	80'506	355.75	2014
2006	50'744	–	50'744	308.00	2013
Total	**439'520**	**59'453**	**498'973**		

Zusammenfassung der ausstehenden Optionen, 2011

per 31. Dezember 2011 Jahr der bedingten Zuteilung	Anzahl definitiv zugeteilter Optionen	Anzahl bedingt zugeteilter Optionen	Gesamtzahl der Aktien aus Optionen	Ausübungspreis je Aktie in CHF	Verfall
2010	83'615	123'883	207'498	259.90	2017
2009	67'035	23'730	90'765	198.10	2016
2008	87'858	–	87'858	336.50	2015
2007	78'213	–	78'213	355.75	2014
2006	48'519	–	48'519	308.00	2013
2005	21'500	–	21'500	206.40	2012
Total	**386'740**	**147'613**	**534'353**		

Alle oben erwähnten Optionen berechtigen den Inhaber zum Bezug einer Aktie von Zurich Insurance Group AG zum genannten Ausübungspreis mit normalem Stimm- und Dividendenbezugsrecht.

Eigentum an Aktien und Aktienoptionen von Mitgliedern der Konzernleitung

In der nachstehenden Tabelle ist das Eigentum an Aktien und Aktienoptionen der Mitglieder der Konzernleitung per 31. Dezember 2012 und 31. Dezember 2011 ausgewiesen. Zusätzlich zu den am Markt erworbenen Aktien beinhalten die Zahlen definitiv zugeteilte Aktien, und zwar unabhängig davon, ob sie einer Veräusserungsbeschränkung unterliegen oder nicht, und definitiv zugeteilte Aktienoptionen, die im Rahmen des Group LTIP ausgerichtet wurden. In der Tabelle nicht berücksichtigt sind jedoch noch nicht definitiv zugeteilte Aktien, die leistungsbezogen ausgerichtet werden, nicht definitiv zugeteilte Aktien mit Veräusserungsbeschränkung und nicht definitiv zugeteilte Aktienoptionen, die leistungsbezogen ausgerichtet werden.

Der ausgewiesene Aktien- und Aktienoptionenbesitz schliesst sämtliche Aktien mit ein, an denen das jeweilige Mitglied der Konzernleitung wirtschaftlich berechtigt ist, sowie den Besitz von Personen, die dem Mitglied nahestehen.

Eigentum an Aktien und definitiv zugeteilten Aktienoptionen von Mitgliedern der Konzernleitung[1]

Anzahl der definitiv zugeteilten Aktien und Aktienoptionen, per 31. Dezember	2012		2011	
	Aktien	Definitiv zugeteilte Optionen[2]	Aktien	Definitiv zugeteilte Optionen[2]
M. Senn, Chief Executive Officer	29'719	103'447	20'936	81'362
J. Dailey, Chief Executive Officer of Farmers Group, Inc.[3]	2'373	14'987	n/a	n/a
M. Foley, Chief Executive Officer North America Commercial und Regional Chairman of the Americas	9'306	52'710	9'726	41'348
M. Greco, Chief Executive Officer General Insurance[4]	n/a	n/a	7'847	36'885
Y. Hausmann, Group General Counsel[5]	3'728	7'301	n/a	n/a
K. Hogan, Chief Executive Officer Global Life	3'080	13'032	1'466	8'185
M. Kerner, Chief Executive Officer General Insurance[6]	8'469	24'432	n/a	n/a
A. Lehmann, Chief Risk Officer and Regional Chairman of Europe	23'128	84'640	18'671	86'713
C. Orator, Chief Administrative Officer[7]	n/a	n/a	5'868	12'987
C. Reyes, Chief Investment Officer	4'823	22'012	2'555	15'123
G. Riddell, Regional Chairman of Asia-Pacific & Middle East	25'002	73'136	22'182	62'685
K. Terryn, Group Head of Operations	4'324	20'540	2'239	16'391
P. Wauthier, Chief Financial Officer	4'947	23'283	3'936	25'061
Total	**118'899**	**439'520**	**95'426**	**386'740**

1 Kein Mitglied der Konzernleitung hielt per 31. Dezember 2012 bzw. 2011 allein oder gemeinsam mit einer oder mehreren ihm nahestehenden Personen mehr als 0,5% der Stimmrechte, weder direkt noch indirekt in Form von Aktienoptionen.
2 Die Verteilung der definitiv zugeteilten Optionen anhand der in den Tabellen «Zusammenfassung der ausstehenden Optionen» identifizierten bedingten Zuteilungen wird in den nachstehenden Tabellen aufgezeigt.
3 Herr Dailey wurde am 1. Januar 2012 in die Konzernleitung berufen.
4 Herr Greco schied am 4. Juni 2012 aus seiner Funktion aus und sein Beschäftigungsvertrag endete am 31. Juli 2012.
5 Herr Hausmann wurde am 1. Juli 2012 in die Konzernleitung berufen.
6 Herr Kerner wurde am 1. September 2012 in die Konzernleitung berufen.
7 Herr Orator schied am 30. Juni 2012 aus seiner Funktion aus und sein Beschäftigungsvertrag endete am 31. Dezember 2012.

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In den nachstehenden Tabellen ist aufgezeigt, wie die Gesamtzahl der definitiv zugeteilten Aktienoptionen anhand der in der Tabelle «Zusammenfassung der ausstehenden Optionen» dargestellten bedingten Zuteilungen per 31. Dezember 2012 bzw. 2011 auf die einzelnen Mitglieder der Konzernleitung verteilt ist.

Verteilung definitiv zugeteilter Aktienoptionen, 2012

Anzahl definitiv zugeteilter Aktienoptionen per 31. Dezember 2012	Jahr der bedingten Zuteilung					Total
	2010	2009	2008	2007	2006	
M. Senn	39'316	16'035	17'094	19'200	11'802	103'447
J. Dailey[1]	6'613	3'284	5'090	n/a	n/a	14'987
M. Foley	16'907	13'640	11'568	10'595	n/a	52'710
Y. Hausmann[2]	7'301	n/a	n/a	n/a	n/a	7'301
K. Hogan	7'212	5'820	n/a	n/a	n/a	13'032
M. Kerner[3]	5'471	4'414	4'210	5'327	5'010	24'432
A. Lehmann	21'063	16'035	17'094	17'028	13'420	84'640
C. Reyes	14'041	2'115	2'256	1'950	1'650	22'012
G. Riddell	15'734	12'255	14'330	18'623	12'194	73'136
K. Terryn	6'290	4'789	3'624	3'108	2'729	20'540
P. Wauthier	5'701	4'341	4'627	4'675	3'939	23'283
Total	**145'649**	**82'728**	**79'893**	**80'506**	**50'744**	**439'520**

[1] Herr Dailey wurde am 1. Januar 2012 in die Konzernleitung berufen.
[2] Herr Hausmann wurde am 1. Juli 2012 in die Konzernleitung berufen.
[3] Herr Kerner wurde am 1. September 2012 in die Konzernleitung berufen.

Verteilung definitiv zugeteilter Aktienoptionen, 2011

Anzahl definitiv zugeteilter Aktienoptionen per 31. Dezember 2011	Jahr der bedingten Zuteilung						Total
	2010	2009	2008	2007	2006	2005	
M. Senn	21'663	11'603	17'094	19'200	11'802	n/a	81'362
M. Foley	9'316	9'869	11'568	10'595	n/a	n/a	41'348
M. Greco	11'606	11'603	13'676	n/a	n/a	n/a	36'885
K. Hogan	3'974	4'211	n/a	n/a	n/a	n/a	8'185
A. Lehmann	11'606	11'603	17'094	17'028	13'420	15'962	86'713
Ch. Orator	2'437	1'142	3'589	3'034	2'785	n/a	12'987
C. Reyes	7'737	1'530	2'256	1'950	1'650	n/a	15'123
G. Riddell	8'670	8'868	14'330	18'623	12'194	n/a	62'685
K. Terryn	3'465	3'465	3'624	3'108	2'729	n/a	16'391
P. Wauthier[1]	3'141	3'141	4'627	4'675	3'939	5'538	25'061
Total	**83'615**	**67'035**	**87'858**	**78'213**	**48'519**	**21'500**	**386'740**

[1] Herr Wauthier wurde am 1. Oktober 2011 in die Konzernleitung berufen.

Trading-Pläne

Um den Mitgliedern der Konzernleitung den Verkauf von Aktien und die Ausübung von Optionen zu erleichtern, hat der Verwaltungsrat mit Wirkung per 2008 die Einführung von Trading-Plänen genehmigt. Im Rahmen dieser Pläne können die Mitglieder anhand eines vordefinierten Transaktionsprogramms Aktien verkaufen bzw. Aktienoptionen ausüben. Trading-Pläne können nur in Zeiten eingerichtet werden, in denen das Mitglied über keine unveröffentlichten preissensitiven Informationen über die Gruppe verfügt. Zudem kann die erste Transaktion in einem Trading-Plan erst drei Monate nach der Errichtung des Plans getätigt werden. Die Bedingungen der Transaktionen müssen vorab festgelegt werden und können danach nicht mehr geändert werden. Sämtliche Trading-Pläne der Mitglieder der Konzernleitung müssen vom Präsidenten des Verwaltungsrats bewilligt werden. Einmal errichtet, werden Transaktionen monatlich – auch während der Sperrfristen – ausgeführt. Das Errichten von Trading-Plänen durch ein Mitglied der Konzernleitung wird entsprechend der Richtlinie betreffend die Offenlegung von Managementtransaktionen ordnungsgemäss der SIX Swiss Exchange gemeldet. Im Jahr 2011 genehmigte der Verwaltungsrat die Ausweitung des Konzepts des Trading-Plans auf ausgewählte Führungskräfte, denen der Handel mit Wertpapieren von Zurich aufgrund der Art ihrer Funktion häufig untersagt ist. Per 31. Dezember 2012 bestanden keine Trading-Pläne. 2011 und 2012 wurden ebenfalls keine Trading-Pläne eingerichtet, und der im Jahr 2010 eingerichtete Trading-Plan lief 2011 aus.

Zusätzliche Honorare und Vergütungen für Mitglieder der Konzernleitung
Kein Mitglied der Konzernleitung hat 2012 und 2011 neben den oben aufgeführten Vergütungen weitere Vergütungen von der Gruppe oder von einem zur Gruppe gehörenden Unternehmen erhalten.

Persönliche Darlehen für Mitglieder der Konzernleitung
Per 31. Dezember 2012 und 2011 hatte kein Mitglied der Konzernleitung ausstehende Darlehen, Vorschüsse oder Kredite.

Persönliche Darlehen für frühere Mitglieder der Konzernleitung
Frühere Mitglieder der Konzernleitung können nach ihrem Ausscheiden ihre Hypothekendarlehen zu ähnlichen Bedingungen wie während ihrer Beschäftigung fortführen, nämlich gemäss den Konditionen, die für Mitarbeitende in der Schweiz gelten, wie vorstehend dargelegt.

Per 31. Dezember 2012 und 2011 hatte kein früheres Mitglied der Konzernleitung ausstehende Darlehen, Vorschüsse oder Kredite.

Den Mitgliedern der Konzernleitung oder ehemaligen Mitgliedern der Konzernleitung nahestehende Personen
Mitgliedern der Konzernleitung oder ehemaligen Mitgliedern der Konzernleitung nahestehende Personen erhielten im Verlauf der Jahre 2012 und 2011 keinerlei Leistungen. Zudem bestanden gegenüber Mitgliedern der Konzernleitung oder ehemaligen Konzernleitungsmitgliedern nahestehenden Personen per 31. Dezember 2012 bzw. 2011 keine ausstehenden Darlehen, Vorschüsse oder Kredite.

Alle Mitarbeitenden
Der folgende Abschnitt enthält Informationen hinsichtlich der von den Mitarbeitenden der gesamten Gruppe im Geschäftsjahr 2012 verdienten Gesamtvergütung, inklusive der Vergütung für die Mitglieder der Konzernleitung. Die Informationen werden in Übereinstimmung mit den zusätzlichen Offenlegungserfordernissen gemäss FINMA-Rundschreiben zu den Vergütungssystemen ausgewiesen, welche erstmals für das Geschäftsjahr 2010 Anwendung fanden. Die Gruppe beschäftigte zum 31. Dezember 2012 52’722 Mitarbeitende und zum 31. Dezember 2011 52’648 Mitarbeitende (Vollzeitstellen, FTE).

Fixe Vergütungen
Fixe Vergütungen umfassen Grundgehälter, den Wert der sonstigen Vergütungen und «Service Costs» für Pensionsanwartschaften.

Fixe Vergütungen

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	**2012**	2011
Grundgehälter	4’036	4’025
Wert der sonstigen Vergütungen[1]	628	578
«Service Costs» für Pensionsanwartschaften[2]	474	451
Summe fixe Vergütung	**5’138**	**5’054**

[1] Enthält Vorsorgeleistungen wie Kranken- und Zahnbehandlungskostenversicherung und sonstige Zusatzleistungen etc.
[2] Dies repräsentiert die Erhöhung des Barwerts der Pensionsanwartschaften im Leistungsprimat, die sich aus erworbenen Dienstjahren in der Rechnungslegungsperiode ergeben. Der gezeigte Betrag wird anhand versicherungsmathematischer Faktoren berechnet und kann von Jahr zu Jahr aufgrund von Veränderungen der wirtschaftlichen Bedingungen schwanken.

Variable Vergütung
Auf der Basis der Empfehlungen des Entschädigungsausschusses genehmigt der Verwaltungsrat den Gesamtbetrag des Gesamtpools der variablen Vergütungen für das Leistungsjahr. Dies umfasst:

- den Gesamtaufwand der leistungsbezogenen Barvergütungen für das Jahr, was dem Gesamtbetrag sämtlicher Finanzierungspools für den Group STIP wie auch der lokalen kurzfristigen Incentive-Programme entspricht;
- den Wert der langfristigen bedingten Zuteilungen der Aktien- und Aktienoptionen während des Jahres, wobei der Wert basierend auf der Annahme berechnet wurde, dass die bedingten Zuteilungen in der Zukunft zu 100% definitiv zugeteilt werden;
- den Gesamtbetrag der während des Jahres zugesagten Antrittszahlungen. Diese Zahlungen wurden Mitarbeitenden zugesagt, die im Jahr 2012 angestellt wurden;

Vergütungsbericht *fortgesetzt*

- den Gesamtbetrag der während des Jahres zugesagten Abgangsentschädigungen. Diese Zahlungen wurden Mitarbeitenden zugesagt, die die Gesellschaft im 2012 verlassen haben.

Grundsätzlich gewährt die Gruppe keine Antrittszahlungen und Abgangsentschädigungen. Wenn jedoch die Umstände im Interesse der Gruppe solche Zahlungen rechtfertigen, können unter Einhaltung klarer Entscheidungsprozesse solche Zahlungen gewährt werden.

Die ausgewiesenen Zahlen enthalten keine im Jahr 2012 vorgenommenen erfolgswirksamen Belastungen und Gutschriften aus Vergütungen, die in vorausgehenden Geschäftsjahren zugesprochen wurden.

Geleistete Provisionszahlungen an angestellte Versicherungsagenten wurden nicht in die Berechnung des Gesamtpools der variablen Vergütungen aufgenommen. Die Vertriebsprovisionspläne für angestellte Versicherungsagenten werden nicht als Bestandteil der auf Profitabilität aufbauenden Incentive-Programme betrachtet. Solche Vertriebsprovisionen stellen, wie die Provisionen, die einem Makler oder einem anderen externen Vertriebsmitarbeitenden gezahlt werden, Vertriebskosten dar. Die angestellten Versicherungsagenten begründen durch ihre Tätigkeit keine finanziellen Risiken für die Gruppe, weil sie keinen Einfluss auf die Festsetzung des Preisniveaus der Produkte haben, die sie verkaufen. Allfällige operativen Risiken und Reputationsrisiken, insbesondere durch unlautere Verkaufspraktiken, werden durch die Verpflichtung zur konzernweiten Einhaltung der Zurich Risk Policy und der Zurich Basics, dem Verhaltenskodex der Gruppe, adressiert.

Bei der Festsetzung des Betrags für den Gesamtpool der variablen Vergütung berücksichtigt der Verwaltungsrat den langfristigen wirtschaftlichen Erfolg der Gruppe und andere relevante Faktoren. Der durchschnittliche ökonomische Gewinn wird durch Subtraktion der erforderlichen Kapitalrendite, basierend auf den gewichteten Durchschnittskapitalkosten, vom bereinigten Betriebsgewinn nach Steuern berechnet. In dieser Hinsicht hat die Gruppe langfristig ökonomischen Gewinn generiert, der den für die variable Vergütung tatsächlichen Aufwand übersteigt.

Variable Vergütungen

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	**2012**	2011
Leistungsbezogene Barvergütung für das Jahr[1]	474	482
Wert der während des Jahres bedingt zugeteilten leistungsbezogenen Aktien[2,3]	134	136
Gesamtpool der variablen Vergütungen	**608**	**618**

[1] Beinhaltet Antrittszahlungen und Abgangsentschädigungen in bar.
[2] Beinhaltet Antrittszahlungen in Aktien.
[3] Die bedingt zugeteilten leistungsbezogenen Aktien werden in der Zukunft entsprechend dem Erreichen der festgelegten Leistungsziele definitiv zugeteilt. Die Bewertung der bedingt zugeteilten Aktien basiert auf der Annahme einer definitiven Zuteilung in der Höhe von 100 %. Der Bewertung der bedingt zugeteilten leistungsbezogenen Aktien wird der Aktienkurs am Tag vor der bedingten Zuteilung (CHF 225.90 für 2012 und CHF 243.60 für 2011) zugrunde gelegt. Die buchhalterische Erfassung kann basierend auf einem anderen Level der definitiven Zuteilung berechnet werden.

Die Gesamtzahl der Begünstigten, die variable Vergütungen erhalten, beläuft sich 2012 auf ca. 46’000 (2011: 48’000). Für 2012 resultierten die Gesamtaufwendungen für Group STIP in 91% der Zielzuteilung, und die Höhe der definitiven Zuteilung für die Jahre 2010 bis 2012 hinsichtlich des langfristigen Incentive-Programms wurde auf 97% der Zielzuteilung gesetzt.

Gesamtvergütungen

Aus der Zusammenrechnung der fixen und der variablen Vergütungen aller Mitarbeitenden ergibt sich folgende Gesamtvergütung:

Gesamtvergütungen

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	**2012**	2011
Grundgehalt (fix)	4’036	4’025
Leistungsbezogene Barvergütung für das Jahr (variabel)[1]	474	482
Aktien[2]	134	136
Andere[3]	1’102	1’029
Gesamtvergütungen	**5’746**	**5’672**

[1] Beinhaltet leistungsbezogene Barvergütungen, Antrittszahlungen und Abgangsentschädigungen in bar.
[2] Beinhaltet bedingt zugeteilte leistungsbezogene Aktien sowie Antrittszahlungen in Aktien.
[3] Beinhaltet sonstige Vergütungen und Pensionsanwartschaften.

Wert der ausstehenden aufgeschobenen Vergütungen

Das Vergütungssystem der Gruppe enthält Instrumente für das Aufschieben von Vergütungen. Die nachstehende Tabelle gibt einen Überblick über den Gesamtwert der ausstehenden aufgeschobenen Vergütungen zum 31. Dezember 2012 und 2011:

Wert der ausstehenden aufgeschobenen Vergütungen

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	**2012**	2011
Bedingte Zuteilung leistungsbezogener Aktien	225	203
Bedingte Zuteilung leistungsbezogener Aktienoptionen	7	22
Bedingte Zuteilung von Aktien mit Veräusserungsbeschränkung	7	6
Definitiv zugeteilte, aber veräusserungsbeschränkte Aktien	140	143
Wert der gesamten ausstehenden aufgeschobenen Vergütungen	**379**	**374**

Der Wert der aufgeschobenen Vergütungen wurde durch Multiplikation der Zahl der ausstehenden Aktien und Aktienoptionen mit den jeweiligen Aktien- und Optionspreisen am ursprünglichen Tag der bedingten Zuteilung bestimmt. Der Berechnung wurde die Annahme eines Levels für die definitive Zuteilung (Vesting Level) von 100% zugrunde gelegt.

Auswirkungen der in früheren Jahren bedingt zugeteilten Vergütungen auf den Reingewinn 2012 und 2011

Im Rahmen des Group LTIP wird zum Zeitpunkt der definitiven Zuteilung in jedem Jahr eine Berechnung vorgenommen, um die tatsächliche Anzahl der Aktien und Optionen festzusetzen, die den Teilnehmern am Programm zugeteilt werden. Diese Zahl steht der zum Datum der bedingten Zuteilung erwarteten Anzahl gegenüber. Ein allfälliger Wertunterschied spiegelt sich in der konsolidierten Erfolgsrechnung im Jahr der definitiven Zuteilung wider. Hinsichtlich der definitiven Zuteilung von Aktien und Optionen im Jahr 2012 und 2011 bestand kein wesentlicher Unterschied zwischen den tatsächlichen und den geschätzten Beträgen.

Antrittszahlungen und Abgangsentschädigungen für Key Risk Takers

Wie bereits oben erwähnt, gewährt die Gruppe grundsätzlich keine Antrittszahlungen und Abgangsentschädigungen. Wenn jedoch die Umstände im Interesse der Gruppe solche Zahlungen rechtfertigen, können sie unter Einhaltung eines klaren Governance-Prozesses genehmigt werden. Im Hinblick auf die Offenlegung von Zahlungen bei Aufnahme des Beschäftigungsverhältnisses und Abgangsentschädigungen für Einzelpersonen, die als Key Risk Takers gelten, wurden an diese Personengruppe 2012 und 2011 folgende Antrittzahlungen und Abgangsentschädigungen geleistet:

Antrittszahlungen und Abgangsentschädigungen für Key Risk Takers

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	**2012**		2011	
	Betrag (in Mio. USD)	**Anzahl der Begünstigten**	Betrag (in Mio. USD)	Anzahl der Begünstigten
Antrittszahlungen/Zahl der Begünstigten[1]	3	6	3	7
Abgangsentschädigungen/Zahl der Begünstigten[2]	2	5	3	7

[1] «Antrittszahlungen» sind Zahlungen (ob sofort oder über eine bestimmte Zeitspanne entrichtet), die bei der Ausfertigung eines Arbeitsvertrags vereinbart werden.
[2] «Abgangsentschädigungen» sind Zahlungen, die im Zusammenhang mit der Beendigung eines Beschäftigungs-/Anstellungsverhältnisses geleistet werden. Zurich schliesst in den Begriff «Abgangsentschädigungen» keine bezahlten Freistellungen oder ähnliche Zahlungen für Mitarbeitende in Rechtssystemen ein, in denen solche Zahlungen laut geltendem Recht erforderlich sind oder in denen sie auf der Grundlage vertraglicher Kündigungsfristen geleistet werden, die gängiger Marktpraxis entsprechen, oder in denen sie zwar nicht auf der Grundlage eines Vertrags erfolgen, aber gängiger Marktpraxis entsprechen. Bezahlte Freistellungen oder ähnliche Zahlungen, die über die anerkannte Marktpraxis hinausgehen, unabhängig davon, ob diese auf der Grundlage eines Vertrags oder aus Kulanz erfolgen, sind jedoch eingeschlossen.
[3] Diese «Zahlungen» beinhalten in diesem Fall Barzahlungen, Aktien, Nebenleistungen sowie Zahlungen für entgangene Leistungen eines früheren Arbeitgebers oder sonstige geldwerte Leistungen.

Group performance review

In this section

Operating and financial review

The Operating and financial review is the management analysis of the business performance of Zurich Insurance Group Ltd (formerly known as Zurich Financial Services Ltd) and its subsidiaries, collectively the Group, for the year ended December 31, 2012 compared with 2011. It also explains key aspects of the Group's financial position as of the end of 2012.

Contents

The information contained within the Operating and financial review is unaudited and presents the consolidated results of the Group for the years ended December 31, 2012 and 2011 and the financial position as of December 31, 2012 and December 31, 2011. All amounts are shown in U.S. dollars and rounded to the nearest million unless otherwise stated with the consequence that the rounded amounts may not add up 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 2012 of the Group and with its Consolidated financial statements as of December 31, 2012. Certain comparative figures have been restated, as set out in note 1 of the Consolidated financial statements. Details of the financial results from the dates of acquisition to December 31, 2012, for the Latin American insurance operations of Banco Santander S.A. (Zurich Santander) and for other acquisitions and divestments are set out in note 5 of the Consolidated financial statements.

In addition to the figures stated according to the International Financial Reporting Standards (IFRS), the Group uses business operating profit (BOP), new business measures and other performance indicators to enhance the understanding of its results. Details of these additional measures are set out in the Glossary These should be viewed as complementary to, and not as substitute to the IFRS figures. For a reconciliation of BOP to net income after income taxes see note 29 of the Consolidated financial statements.

Financial highlights

in USD millions, for the years ended December 31, unless otherwise stated	2012	2011[1]	Change[2]
Business operating profit	**4,075**	4,243	(4%)
Net income attributable to shareholders	**3,878**	3,750	3%
General Insurance gross written premiums and policy fees	**35,610**	34,572	3%
Global Life gross written premiums, policy fees and insurance deposits	**30,259**	27,711	9%
Farmers Management Services management fees and other related revenues	**2,846**	2,767	3%
Farmers Re gross written premiums and policy fees	**4,361**	3,529	24%
General Insurance business operating profit	**2,097**	2,247	(7%)
General Insurance combined ratio	**98.4%**	98.9%	0.5 pts
Global Life business operating profit	**1,338**	1,353	(1%)
Global Life new business annual premium equivalent (APE)	**4,030**[3]	3,992	1%
Global Life new business margin, after tax (as % of APE)	**22.1%**[3]	24.5%	(2.5 pts)
Global Life new business value, after tax	**890**[3]	980	(9%)
Farmers business operating profit	**1,414**	1,486	(5%)
Farmers Management Services gross management result	**1,378**	1,333	3%
Farmers Management Services managed gross earned premium margin	**7.3%**[4]	7.3%	–
Average Group investments	**203,192**	196,788	3%
Net investment result on Group investments	**8,911**	9,367	(5%)
Net investment return on Group investments[5]	**4.4%**	4.8%	(0.4 pts)
Total return on Group investments[5]	**7.0%**	5.3%	1.7 pts
Shareholders' equity	**34,494**	31,484	10%
Swiss Solvency Test capitalization ratio[6]	**178%**	183%	(5 pts)
Diluted earnings per share (in CHF)	**24.66**	22.52	10%
Book value per share (in CHF)	**214.79**	202.17	6%
Return on common shareholders' equity (ROE)	**11.8%**	11.9%	(0.2 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)	**9.3%**	10.2%	(0.9 pts)

1 December 31, 2011 has been restated as set out in note 1 of the Consolidated financial statements.
2 Parentheses around numbers represent an adverse variance.
3 Does not include any contribution from Zurich Santander or from the acquisition of Zurich Insurance Malaysia Berhad (ZIMB).
4 Calculated based on gross earned premiums of the Farmers Exchanges of USD 18.8 billion, which excludes the return of USD 74 million in premiums as a result of the anticipated settlement of a lawsuit with the State of Texas.
5 Calculated on average Group investments.
6 Ratios as of July 1, 2012 and January 1, 2012, respectively, are calculated based on the Group's internal model which is subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). The SST Ratio for January 1, 2012 has been restated following FINMA's review of the Annual SST Report.

Operating and financial review *continued*

Performance overview for the year ended December 31, 2012

The Group delivered solid results and generated stable cash flows while maintaining its strong capital position. This enabled the Board of Directors to propose an attractive dividend of CHF 17.00 per share, demonstrating the Group's sustained commitment to shareholder value.

The execution of the Group's strategy and focus on its core insurance business enabled strong growth and improved underlying profitability, which are critical to offset lower investment income due to a persisting low yield environment. Improved underlying profitability was sustained by contributions from Global Life and Farmers, as well as the strong underlying underwriting performance in General Insurance. The overall performance of General Insurance was negatively impacted by above average levels of catastrophe, large and weather-related losses, including Storm Sandy, as well as the extraordinary adverse impact relating to a review in Germany.

The Group's capital and solvency positions remain strong, underpinned by continued focus on risk management, in both its disciplined investment and underwriting strategies. Shareholders' equity has increased by USD 3.0 billion to USD 34.5 billion since December 31, 2011, after recording the total cost of USD 2.8 billion for dividends paid in April 2012.

The strategic acquisitions towards the end of 2011 have now been integrated into the Group where Zurich Santander contributed USD 5.2 billion to the growth of gross written premiums and insurance deposits and a business operating profit of USD 165 million.

Business operating profit decreased by USD 169 million to USD 4.1 billion, or by 4 percent in U.S. dollar terms and 2 percent on a local currency basis.

- **General Insurance** business operating profit decreased by USD 150 million to USD 2.1 billion, or by 7 percent in U.S. dollar terms and 5 percent on a local currency basis. Progress on strategic targets was reflected by an improvement in the underlying results, underpinned by disciplined underwriting and expense management. However, this improvement was offset by overall declining investment income and decreases in favorable development of reserves established in prior years, mainly in Germany.

- **Global Life** business operating profit remained broadly flat at USD 1.3 billion in U.S. dollar terms and increased by 5 percent on a local currency basis, with a positive contribution from Zurich Santander of USD 105 million net of non-controlling interests and earn-out charges. This was largely offset by a lower contribution from Europe, primarily as a result of one-off expenses in Germany included in special operating items. Other movements in sources of profit were largely neutral in aggregate, with improved risk and expense margins benefiting from the continued shift to protection and unit-linked products, offset by reductions in the investment margin due to lower investment yields.

- **Farmers** business operating profit decreased by USD 72 million to USD 1.4 billion, or by 5 percent, primarily due to a net underwriting loss incurred by Farmers Re. **Farmers Management Services** business operating profit of USD 1.4 billion increased by USD 71 million, or by 5 percent, mainly driven by the increase in gross earned premiums in the Farmers Exchanges, which are managed but not owned by Farmers Group, Inc., a wholly owned subsidiary of the Group. **Farmers Re** business operating profit deteriorated by USD 142 million to a loss of USD 26 million, mainly reflecting the absence of favorable development of loss reserves established in prior years compared with 2011 as well as weather-related losses that were once again well above historical levels. This was partially offset by a year over year improvement in the underlying loss ratio.

Other Operating Businesses reported an increase in its business operating loss of USD 68 million to USD 903 million, mainly driven by the absence of favorable impacts from foreign currency movements compared with 2011.

Non-Core Businesses reported a business operating profit of USD 128 million compared with a loss of USD 8 million in 2011. This improvement came mainly from an increased profit from other run-off businesses.

Business volumes for the core business segments, comprising gross written premiums, policy fees, insurance deposits and management fees, increased by USD 4.5 billion to USD 73.1 billion, or by 7 percent in U.S. dollar terms and 11 percent on a local currency basis. This growth arose as follows:

- **General Insurance** gross written premiums and policy fees increased by USD 1.0 billion to USD 35.6 billion, or by 3 percent in U.S. dollar terms and 7 percent on a local currency basis, primarily as a result of rate increases. Selective and profitable growth remains the key focus area and leading premium indicators were favorable even as average rates increased by 4 percent. Overall premium growth was strong, particularly in International Markets through both organic growth and acquisitions, as well as in North America, while European results continued to be affected by lower levels of economic activity.

- **Global Life** gross written premiums, policy fees and insurance deposits increased by USD 2.5 billion to USD 30.3 billion, or by 9 percent in U.S. dollar terms and 16 percent on a local currency basis, benefiting from the contribution from Zurich Santander as well as higher volumes of single premium products in Corporate Life & Pensions and Private Banking Client Solutions, partially offset by a reduction in Spain where the product mix continued to shift from savings towards higher margin protection products.

- **Farmers Management Services** management fees and other related revenues of USD 2.8 billion increased by USD 79 million, or by 3 percent, driven by the 3 percent increase in gross earned premiums in the Farmers Exchanges. The 24 percent increase to USD 4.4 billion in gross written premiums of **Farmers Re** reflected the changes in the All Lines quota share reinsurance agreement with the Farmers Exchanges (All Lines agreement) as well as the 3 percent gross written premiums growth in the Farmers Exchanges.

Net income attributable to shareholders increased by USD 128 million to USD 3.9 billion or by 3 percent. The benefit from net capital gains on investments as well as the absence of litigation and other one-off expenses which negatively impacted 2011, more than offset the decrease in business operating profit. The **shareholders' effective tax rate** was 24.7 percent for 2012, compared with 24.2 percent for 2011, primarily as a result of adverse fluctuations in the geographic profit mix in 2012, which also impacted 2011 albeit to a lesser extent.

ROE was 11.8 percent for 2012, compared with 11.9 percent for 2011. This decrease was driven by the increase in shareholders' equity. **BOPAT ROE** of 9.3 percent decreased 0.9 percentage points. **Diluted earnings per share** increased by 10 percent to CHF 24.66 for the year ended December 31, 2012 compared with CHF 22.52 in 2011. The increase in diluted earnings per share of 10 percent compared with the increase in net income attributable to shareholders of 3 percent was due to the currency translation impact, as the U.S. dollar was on average stronger against the Swiss franc in 2012 than in 2011.

Operating and financial review *continued*

General Insurance

in USD millions, for the years ended December 31	2012	2011[1]	Change
Gross written premiums and policy fees	35,610	34,572	3%
Net earned premiums and policy fees	29,195	29,076	–
Insurance benefits and losses, net of reinsurance	(20,527)	(20,939)	2%
Net underwriting result	463	324	43%
Net investment income	2,516	2,799	(10%)
Net non-technical result (excl. items not included in BOP)	(901)	(886)	(2%)
Business operating profit	**2,097**	**2,247**	**(7%)**
Loss ratio	70.3%	72.0%	1.7 pts
Expense ratio	28.1%	26.9%	(1.2 pts)
Combined ratio	**98.4%**	**98.9%**	**0.5 pts**

[1] Restated as set out in note 1 of the Consolidated financial statements.

in USD millions, for the years ended December 31	Business operating profit (BOP)		Combined ratio	
	2012	2011	2012	2011
Global Corporate	496	169	99.1%	105.6%
North America Commercial	699	1,048	99.7%	95.9%
Europe	687	946	97.4%	97.2%
International Markets	166	(156)	98.7%	107.8%
GI Global Functions including Group Reinsurance	49	240	nm	nm
Total	**2,097**	**2,247**	**98.4%**	**98.9%**

Business operating profit decreased by USD 150 million to USD 2.1 billion or by 7 percent driven by a decline in investment income, partly offset by the improved net underwriting result. The net underwriting result benefitted from an improved underlying loss ratio, which more than compensated for the decrease in favorable development on reserves established in prior years, mainly arising in Germany from an increase of loss reserves for certain long-tail lines of business written in prior years, and higher commission expenses as the mix of business shifts toward products with higher commissions. Investment income decreased by USD 283 million or by 10 percent mainly due to lower yields and capital repatriation to the Group. This was partially compensated by an increase in hedge fund gains in the U.S.

Gross written premiums and policy fees increased by USD 1.0 billion to USD 35.6 billion, or by 3 percent in U.S. dollar terms and 7 percent on a local currency basis. The business remained focused on profitable growth and continued to capitalize on the favorable rate environment across all regions, achieving average rate increases of 4 percent. Premiums continued to increase in the mature North American market and, while part of this increase was attributable to adjustments to premiums for prior year policies as initial estimated insured risks were increased to reflect actual exposures, there have also been improvements in both customer retention and new business. In International Markets, Zurich Santander and Zurich Insurance Malaysia Berhad (ZIMB) contributed to the growth in premiums along with organic growth from the existing businesses. In Europe, premium volumes remain under pressure as a result of the economic environment in all significant markets as well as profit improvement efforts in selected portfolios such as personal lines motor.

The **net underwriting result** increased by USD 139 million to USD 463 million reflected in the improvement of 0.5 percentage points in the combined ratio to 98.4 percent. Across the portfolio, the business continued to execute against its strategic targets with an improvement in the underlying loss ratio of 2.9 percentage points following sustained increases in rates and focused actions to defend profit margins. Additionally, while the impact of Storm Sandy was significant, the overall catastrophe, large and weather-related events experienced throughout 2011 were more severe. Zurich Santander also contributed favorably to the overall result, improving the loss ratio by 0.7 percentage points. These improvements were partially offset by adverse development of reserves established in prior years mainly for certain long tail lines of business written in Germany. The expense ratio deteriorated by 1.2 percentage points to 28.1 percent. This was mainly driven by a higher commission ratio attributable to fluctuations in the business mix including business from Zurich Santander which carries a higher commission rate. The other underwriting expense ratio was virtually flat compared with 2011 in spite of continued investment in International Markets as well as higher pension expenses, as pension calculation assumptions were changed at the beginning of 2012 to recognize the economic environment. These increases were mostly offset by the continued execution of the strategic goal to reduce the expense base in mature markets.

Global Corporate

in USD millions, for the years ended December 31	2012	2011	Change
Gross written premiums and policy fees	8,609[1]	7,949	8%
Net underwriting result	48	(300)	nm
Business operating profit	**496**	**169**	**nm**
Loss ratio	78.0%	85.3%	7.3 pts
Expense ratio	21.1%	20.3%	(0.8 pts)
Combined ratio	**99.1%**	**105.6%**	**6.5 pts**

[1] net of internal business transfers

Business operating profit increased by USD 327 million to USD 496 million primarily as a result of the improvement in the underwriting result. Investment income was lower than in 2011 with the impact of lower yields across the portfolio partially compensated by hedge fund gains in the U.S. Non-technical expenses were slightly higher than in 2011 as a result of one-off charges in 2012 and the impact of a non-recurring benefit included in 2011, partially offset by gains on foreign currency transactions.

Gross written premiums and policy fees increased by USD 660 million to USD 8.6 billion, or by 8 percent in U.S. dollar terms and 12 percent on a local currency basis (after internal business transfers from North America Commercial) with higher average rate levels, particularly in energy, U.S. workers' compensation, international property and European motor, and new business across the portfolio, which continued to drive growth. Renewal retention also remained strong, slightly higher compared with 2011 despite rate increases in targeted segments as the business continued to improve profitability. Focus remained on disciplined underwriting and pricing with average rate increases of 5 percent across all regions, and in particular overall average rate increases of 8 percent achieved in North America, an increase of 2 percentage points compared with 2011.

The **net underwriting result** improved by USD 348 million to a profit of USD 48 million reflected in the 6.5 percentage points improvement in the combined ratio to 99.1 percent. While 2012 includes the impact of Storm Sandy, the impact was less severe compared with the major catastrophe events that occurred during 2011. The favorable development in the loss ratio also included an improved underlying loss ratio, reflecting the impact of rate increases adding to the result and continued focus on improving overall profitability. The expense ratio was higher with a lower other underwriting expense ratio more than offset by an increase in the commission ratio resulting from a change in reinsurance programs which reduced ceding commissions and by increased volumes of products with higher commissions.

Operating and financial review *continued*

North America Commercial

in USD millions, for the years ended December 31	2012	2011	Change
Gross written premiums and policy fees	10,003[1]	9,777	2%
Net underwriting result	26	315	(92%)
Business operating profit	**699**	**1,048**	**(33%)**
Loss ratio	71.4%	67.0%	(4.4 pts)
Expense ratio	28.2%	28.8%	0.6 pts
Combined ratio	**99.7%**	**95.9%**	**(3.8 pts)**

[1] net of internal business transfers

Business operating profit decreased by USD 349 million to USD 699 million, or by 33 percent driven by the deterioration in the underwriting result and lower levels of investment income. Lower investment income reflected lower yields and capital repatriation to the Group, which also reduced interest payable included in non-technical expenses, partially compensated by hedge fund gains in the U.S.

Gross written premiums and policy fees increased by USD 226 million to USD 10.0 billion, or by 2 percent (after internal business transfers to Global Corporate). Premium growth was attributable to the improving market environment that continued to support rate increases despite competitive pressures. The business continued to execute its rate-tiering strategies and has achieved average rate increases of 5 percent, while realizing benefits from strategic growth initiatives. These included real estate, technology and financial institutions as well as certain products including auto warranty, specialty products, program business and captives. Premiums also benefited from higher adjustments for prior year policies as initial estimated insured risks were increased to reflect actual exposures.

The **net underwriting result** decreased by USD 289 million to USD 26 million, as reflected in the deterioration of 3.8 percentage points in the combined ratio to 99.7 percent. Substantial benefits continued to be generated by favorable underlying property results, increasing rates and the impact of the continued focus on profitability, particularly in workers' compensation. The underwriting result also benefited from the earned effect of increases to premium for prior year policies. These improvements were offset, however, by a lower level of favorable development on reserves established in prior years, the impact of Storm Sandy, a higher incidence of large losses and losses related to crop businesses as a result of the drought in the U.S. The expense ratio improved by 0.6 percentage points as a result of efforts to improve operational efficiency.

Europe

in USD millions, for the years ended December 31	2012	2011[1]	Change
Gross written premiums and policy fees	11,882	12,932	(8%)
Net underwriting result	310	360	(14%)
Business operating profit	**687**	**946**	**(27%)**
Loss ratio	69.9%	71.0%	1.1 pts
Expense ratio	27.5%	26.1%	(1.4 pts)
Combined ratio	**97.4%**	**97.2%**	**(0.2 pts)**

[1] Restated as set out in note 1 of the Consolidated financial statements.

Business operating profit decreased by USD 259 million to USD 687 million, or by 27 percent in U.S. dollar terms and 27 percent on a local currency basis. The decrease was driven by lower investment income due to both lower yields and a reduced asset base, higher non-technical expenses related to one-off charges and lower net underwriting result.

Gross written premiums and policy fees decreased by USD 1.1 billion to USD 11.9 billion, or by 8 percent in U.S. dollar terms and 2 percent on a local currency basis. The lower volume was driven largely by the economic environment that remained challenging in many European countries and by actions taken on specific products in selected markets to improve overall profitability. These impacts were most visible in personal lines motor in the UK, Italy and Spain. Overall average rate increases of 3 percent were achieved in 2012.

The **net underwriting result** deteriorated by USD 50 million to USD 310 million, reflected in the deterioration in the combined ratio of 0.2 percentage points to 97.4 percent. The underlying loss ratio benefited from the continued implementation of profit improvement strategies. These were offset by lower levels of favorable development on reserves established in prior years, mainly in Germany, and an increase in severity of large losses. The increase in the expense ratio of 1.4 percentage points mainly arose from the movement of deferred policy acquisition costs and one-off charges in Germany. In addition, a change in pension calculation assumptions due to the economic environment increased the overall pension expenses, particularly in the UK.

Operating and financial review *continued*

International Markets

in USD millions, for the years ended December 31	2012	2011	Change
Gross written premiums and policy fees	5,603	4,425	27%
Net underwriting result	55	(265)	nm
Business operating profit	**166**	**(156)**	**nm**
Loss ratio	60.3%	72.9%	12.6 pts
Expense ratio	38.4%	34.9%	(3.4 pts)
Combined ratio	**98.7%**	**107.8%**	**9.1 pts**

Business operating profit improved by USD 322 million to USD 166 million, driven mainly by significantly reduced levels of catastrophe and weather-related losses. An increase in investment income was generated by a higher asset base reflecting portfolio growth across Latin America, Asia-Pacific, and Middle East and Africa.

Gross written premiums and policy fees increased by USD 1.2 billion to USD 5.6 billion, or by 27 percent in U.S. dollar terms and 34 percent on a local currency basis. Growth in Latin America was 72 percent on a local currency basis mainly attributable to the positive contribution from Zurich Santander as well as from underlying growth in motor lines in Brazil, Mexico and Argentina together with a positive contribution from insurance product sales through retail outlets in Brazil. Asia-Pacific achieved growth of 15 percent on a local currency basis benefiting from the newly acquired ZIMB as well as from underlying growth in Japan and Australia.

The **net underwriting result** improved by USD 320 million to a profit of USD 55 million reflected in the 9.1 percentage points improvement in the combined ratio to 98.7 percent. The loss ratio improved by 12.6 percentage points to 60.3 percent reflecting a lower level of catastrophe and weather-related events compared with significant events in Japan, New Zealand and Australia in 2011, as well as a favorable underlying loss experience in 2012 including a 4.3 percentage points improvement from the inclusion of Zurich Santander. These improvements were offset to some extent by a higher frequency of large losses and lower levels of favorable development of reserves established in prior years, following an inflation adjustment which increased the reserves for motor third party liability in Argentina. The higher expense ratio was mainly driven by higher commissions from the inclusion of Zurich Santander and growth in other higher commission products in Latin America, as well as higher other underwriting expenses linked to continuing investments in target markets and products in International Markets.

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Global Life

in USD millions, for the years ended December 31	2012	2011	Change
Insurance deposits	16,670	16,127	3%
Gross written premiums and policy fees	13,590	11,583	17%
Net investment income on Group investments	3,991	4,146	(4%)
Insurance benefits and losses, net of reinsurance	(9,592)	(9,503)	(1%)
Business operating profit[1]	**1,338**	**1,353**	**(1%)**
Total reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts (net reserves)[2]	214,676	195,951	10%
Assets under management[2, 3]	254,822	232,329	10%
Net policyholder flows[4]	1,402	2,769	(49%)

[1] Business operating profit for 2012 included USD 105 million of profit from Zurich Santander earned between the dates of acquisition and December 31, 2012, calculated after deducting non-controlling interests and USD 21 million for an increase to the liability for future earn-out payments. Details of the overall IFRS impact are set out in note 5 to the Consolidated financial statements.
[2] Restated as set out in note 1 of the Consolidated financial statements.
[3] Assets under management comprise Group and unit-linked investments that are included in the Global Life balance sheet plus assets that are managed by third parties, on which fees are earned.
[4] Net policyholder flows are defined as the sum of gross written premiums and policy fees and deposits, less policyholder benefits.

	2012	2011	Change
New business – highlights[1, 2, 3, 4]			
New business annual premium equivalent (APE)	**4,030**	**3,992**	**1%**
Present value of new business premiums (PVNBP)	35,296	33,399	6%
New business margin, after tax (as % of APE)	**22.1%**	**24.5%**	**–2.5 pts**
New business margin, after tax (as % of PVNBP)	2.5%	2.9%	–0.4 pts
New business value, after tax	**890**	**980**	**(9%)**

[1] New business amounts are calculated on embedded value principles, details of which are included in the Embedded value report.
[2] New business amounts do not include Zurich Santander and ZIMB. As set out in the Embedded value report, these businesses generated USD 195 million of new business value for the twelve months of 2012.
[3] In 2012, new business has been determined including a liquidity premium in the discount rate applied to the time value of options and guarantees, but with no restatement of the 2011 comparative figures.
[4] A refinement in methodology for calculating new business value for corporate protection business was introduced in 2011. This has a transitional impact over two years from the implementation date relating to renewals of business in-force at the date of the change. The renewed business contributed USD 68 million of new business value in 2012 compared with USD 126 million in 2011.

Profit by source[1]

in USD millions, for the years ended December 31	New business		Business in-force		Total	
	2012	2011	2012	2011	2012	2011
Net expense margin	(1,434)	(1,541)	1,398	1,443	(36)	(98)
Net risk margin			769	762	769	762
Net investment margin			661	709	661	709
Other profit margins			82	(117)	82	(117)
BOP before deferrals	(1,434)	(1,541)	2,910	2,797	1,476	1,256
Impact of acquisition deferrals	1,167	1,372	(903)	(1,040)	264	332
BOP before interest, depreciation and amortization	(266)	(169)	2,006	1,757	1,740	1,588
Interest, depreciation and amortization			(273)	(334)	(273)	(334)
Non-controlling interests			(146)	(26)	(146)	(26)
BOP before special operating items	(266)	(169)	1,587	1,397	1,320	1,228
Special operating items			18	126	18	126
Business operating profit	**(266)**	**(169)**	**1,605**	**1,523**	**1,338**	**1,353**

[1] See glossary for an explanation of profit by source.

Operating and financial review *continued*

Business operating profit remained broadly flat at USD 1.3 billion in U.S. dollars terms, and increased by 5 percent on a local currency basis, with a positive contribution from Zurich Santander of USD 105 million net of non-controlling interests and earn-out charges being largely offset by a decrease in Europe, primarily as a result of special operating items in Germany. Other sources of profit remained largely flat in aggregate, with improvements in the risk and expense margins benefiting from the continued shift to protection and unit-linked products, offset by reductions in the investment margin due to lower investment yields.

Before special operating items, business operating profit increased by USD 93 million or by 8 percent in U.S. dollar terms and 12 percent on a local currency basis.

The net expense margin improved by USD 62 million benefiting from increased fee income arising from an ongoing shift towards unit-linked products. The net risk margin improved by USD 7 million, with the positive impact from the increasing level of protection products offset by currency translation effects. The net investment margin reduced by USD 48 million, significantly impacted by currency translation effects, with the decrease in local currency driven by lower yields in North America, whilst realization of investment gains in Germany towards the end of 2012 significantly reduced the indirect strain experienced earlier in the year from the "Zinszusatzreserve" requirements. Other profit margins improved by USD 199 million, contributing USD 82 million to business operating profit, and included USD 225 million business operating profit from Zurich Santander, before the effect of non-controlling interests and earn-out charges, earned between the dates of acquisition in late 2011 and December 31, 2012. Furthermore the impact of acquisition deferrals decreased by USD 68 million resulting from a change in the method for deferring commissions introduced as of September 2011 primarily in Germany, offset by lower interest, depreciation and amortization costs.

Special operating items contributed USD 18 million to business operating profit, a decrease of USD 108 million compared with 2011. They included a charge of USD 74 million related to recent rulings by the German Federal Court of Justice, which impacted the local insurance industry, clarifying the application and effect of certain policyholder terms and conditions in the event of early contract termination.

Insurance deposits increased by USD 542 million to USD 16.7 billion, or by 3 percent in U.S. dollar terms and 10 percent on a local currency basis. An increase of USD 2.5 billion relating to the inclusion of Zurich Santander was partially offset by USD 1.4 billion lower insurance deposits in Spain as product mix shifted from savings to higher margin protection products.

Gross written premiums and policy fees increased by USD 2.0 billion to USD 13.6 billion, or by 17 percent in U.S. dollar terms and 25 percent on a local currency basis, with the increase resulting from the inclusion of Zurich Santander.

Net reserves increased by USD 18.7 billion, or by 10 percent in U.S. dollar terms and 7 percent on a local currency basis compared with December 31, 2011, driven by favorable market movements in Europe. **Assets under management** increased by USD 22.5 billion, or by 10 percent in U.S. dollar terms and 7 percent on a local currency basis compared with December 31, 2011, also benefiting from favorable market movements in Europe. **Net policyholder flows** remained positive at USD 1.4 billion with net outflows in Europe being more than offset by net inflows in all other regions.

NBV, APE, NBM and BOP by region

in USD millions, for the years ended December 31	New business value, after tax (NBV)[3]		New business annual premium equivalent (APE)		New business margin, after tax (as % of APE) (NBM)		Business operating profit (BOP)	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
North America	109	60	125	111	87.1%	54.3%	244	227
Latin America[1, 2]	99	71	755	313	13.2%	22.6%	155	49
Europe	453	547	2,538	2,883	17.9%	19.0%	805	953
of which:	–	–	–	–	–	–		
United Kingdom	*195*	*154*	*1,194*	*1,235*	*16.4%*	*12.5%*	*295*	*275*
Germany	*37*	*171*	*453*	*588*	*8.2%*	*29.1%*	*137*	*295*
Switzerland	*25*	*9*	*220*	*151*	*11.5%*	*6.0%*	*262*	*267*
Ireland	*66*	*67*	*355*	*331*	*18.5%*	*20.2%*	*23*	*18*
Spain	*94*	*107*	*149*	*367*	*62.9%*	*29.2%*	*14*	*31*
Rest of Europe	*36*	*38*	*167*	*212*	*21.5%*	*18.0%*	*74*	*67*
Asia-Pacific and Middle East[2]	125	136	464	524	26.9%	25.9%	135	124
Other[4]	103	167	147	161	70.1%	103.7%	–	–
Total	**890**	**980**	**4,030**	**3,992**	**22.1%**	**24.5%**	**1,338**	**1,353**

NBV and APE by pillar[2, 3]

in USD millions, for the years ended December 31	New business value (NBV), after tax		New business annual premium equivalent (APE)		New business margin, after tax (as % of APE)	
	2012	2011	**2012**	2011	**2012**	2011
Bank Distribution	114	201	419	700	27.3%	28.8%
IFA/Brokers	184	185	789	933	23.3%	19.9%
Agents	152	130	428	508	35.6%	25.7%
International/Expats	69	83	250	285	27.4%	29.3%
Total Retail pillars	**519**	**601**	**1,886**	**2,426**	**27.5%**	**24.8%**
Corporate Life & Pensions[4]	285	293	1,703	1,175	16.7%	24.9%
Private Banking Client Solutions	24	20	319	271	7.4%	7.4%
Direct and Central Initiatives	61	66	122	120	50.2%	55.1%
Total	**890**	**980**	**4,030**	**3,992**	**22.1%**	**24.5%**

1 Business operating profit for 2012, included USD 105 million of profit from Zurich Santander, earned between the dates of acquisition and December 31, 2012, calculated after deducting non-controlling interests and USD 21 million for an increase to the liability for future earn-out payments. Details of the overall IFRS impact are set out in note 5 to the Consolidated financial statements.
2 New business amounts do not include Zurich Santander and ZIMB. As set out in the Embedded value report, these businesses generated USD 195 million of new business value for the twelve months of 2012.
3 In 2012, new business has been determined including a liquidity premium in the discount rate applied to the time value of options and guarantees, but with no restatement of the 2011 comparative figures.
4 A refinement in methodology for calculating new business value for corporate protection business was introduced in 2011. This has a transitional impact over two years from the implementation date relating to renewals of business in-force at the date of the change. The renewed business contributed USD 68 million of new business value in 2012 compared with USD 126 million in 2011.

Overall, Global Life continued to benefit in 2012 from its investment in organic growth in target markets, while maintaining focus on shifting its product mix from traditional savings business towards protection and unit-linked products and leveraging its global strength in Corporate Life & Pensions and Bank Distribution.

The recent acquisitions of Zurich Santander in Latin America and ZIMB in Asia-Pacific further strengthened the position of Global Life in those regions, generating USD 195 million of new business value for the twelve months of 2012 which has not been included in the new business figures in the tables above.

New business value (excluding the recent acquisitions) declined by USD 90 million to USD 890 million, or by 9 percent in U.S. dollar terms and 5 percent on a local currency basis. The transitional impact of the methodology refinement for corporate protection renewals of USD 68 million for 2012 was USD 58 million lower than in 2011. Excluding this refinement, new business value on a local currency basis remained flat. In Germany, the impact of the continued reduction in interest rates resulted in new business value of USD 37 million compared with USD 171 million in 2011. This reduction was offset by increases in North America, Latin America, the UK and Switzerland.

Operating and financial review *continued*

APE (excluding the recent acquisitions) increased by USD 38 million to USD 4.0 billion, or by 1 percent in U.S. dollar terms and 5 percent on a local currency basis, also benefiting from volume increases in North America, Latin America and Switzerland. In Latin America, the main driver of the increase was the successful participation in the social security (SIS) biennial bid process in Chile.

New business margin (excluding the recent acquisitions) decreased by 2.5 percentage points to 22.1 percent, mainly driven by a reduction of 1.4 percentage points related to the transitional impact of the methodology refinement for corporate protection renewals and a reduction of 2.0 percentage points related to the impact from the high volume and lower margin SIS transaction in Chile. These impacts were partly offset by increases driven by higher margin protection business, particularly in North America, Spain and the UK.

In Europe, the overall reduction of USD 93 million in new business value was primarily driven by a combination of lower volumes and margin pressure experienced in Germany as a result of lower interest rates and reducing spreads on traditional business. In Switzerland, product mix changes reduced exposure to interest rates and strong volumes towards the end of the year in both individual and corporate business led to an increase in new business value of USD 16 million, or 179 percent in U.S. dollar terms. In the UK, new business value increased by USD 41 million, or by 27 percent in U.S. dollar terms, driven by margin improvements in protection business. In Spain, where over 90 percent of the business arises from Bank Distribution, new business value decreased by USD 13 million to USD 94 million. This reduction resulted from the continued shift from lower margin savings business to higher margin protection business, leading to significantly lower new business APE, albeit with a higher new business margin, which more than doubled to 62.9 percent.

North America experienced an increase in both new business value and new business APE in the Retail pillars compared with 2011. The increase in new business value was mainly driven by strong margin improvements in the protection business as a result of price increases and improved utilization of reinsurance. New business APE increased by 13 percent compared with the same period of 2011 as the expansion strategy in the IFA/Brokers pillar and growth initiatives in the Agents pillar began to gain traction.

In **Retail pillars,** new business value decreased by USD 81 million to USD 519 million, or by 14 percent in U.S. dollar terms and 10 percent on a local currency basis. The majority of this decrease occurred in the Bank Distribution pillar in Europe and was partially offset by growth in the Agents pillar in North America.

In **Corporate Life & Pensions,** new business value reduced by USD 8 million to USD 285 million. This reduction resulted from the decrease of USD 58 million in the transitional impact from the refinement in methodology for corporate protection renewals, offset by an increase of USD 51 million, or 30 percent, in underlying new business value. This increase was driven by the successful conclusion of the SIS transaction in Chile and the leverage of global relationships with major employee benefit consultants, particularly in the UK, where the increase in new business value was exceptionally strong at 68 percent in total for both corporate savings and corporate protection business. New business APE increased by USD 528 million, or 45 percent, mainly resulting from strong volume growth in corporate protection business in Chile and Switzerland.

Private Banking Client Solutions increased new business value by USD 4 million to USD 24 million. This increase in new business value was mainly driven by final placements of tranches of an investment bond through bank distribution partners in the UK, which also contributed USD 39 million to the overall growth in new business APE of USD 48 million.

Farmers

Farmers business operating profit decreased by USD 72 million to USD 1.4 billion, or by 5 percent, primarily reflecting the absence of favorable development of loss reserves established in prior years in Farmers Re compared with 2011. This deterioration was partially offset by higher business operating profit in Farmers Management Services due to higher management fee revenues driven by a 3 percent increase in gross earned premiums in the Farmers Exchanges, which are managed but not owned by Farmers Group, Inc., a wholly owned subsidiary of the Group.

Farmers Management Services

in USD millions, for the years ended December 31	2012	2011	Change
Management fees and other related revenues	2,846	2,767	3%
Management and other related expenses	(1,467)	(1,434)	(2%)
Gross management result	1,378	1,333	3%
Other net income	62	36	71%
Business operating profit	**1,441**	**1,370**	**5%**
Managed gross earned premium margin	7.3%[1]	7.3%	–

[1] Calculated based on gross earned premiums of the Farmers Exchanges of USD 18.8 billion, which excludes the return of USD 74 million in premiums as a result of the anticipated settlement of a lawsuit with the State of Texas.

Business operating profit of USD 1.4 billion increased by USD 71 million, or by 5 percent, primarily driven by an increase in management fee revenues.

Management fees and other related revenues of USD 2.8 billion increased by USD 79 million, or by 3 percent, driven by the higher management fee income from increased gross earned premiums in the Farmers Exchanges, which grew across all lines of business. **Management and other related expenses** of USD 1.5 billion increased by USD 34 million, or by 2 percent, compared with 2011. This increase was primarily due to higher costs associated with employee benefits and business transformation. Other net income and expenses of USD 62 million increased by USD 26 million, mainly driven by a benefit recognized due to the settlement of a portion of the pension liability related to vested plan participants who are no longer employed by the company.

The **gross management result** of USD 1.4 billion increased by USD 45 million, while the **managed gross earned premium margin** remained constant at 7.3 percent.

Operating and financial review *continued*

Farmers Re

in USD millions, for the years ended December 31	2012	2011	Change
Gross written premiums and policy fees	4,361	3,529	24%
Net underwriting result	(163)	(23)	nm
Business operating profit	**(26)**	**116**	**nm**
Loss ratio	72.4%	70.5%	(1.8 pts)
Expense ratio	31.3%	30.2%	(1.1 pts)
Combined ratio	**103.7%**	**100.8%**	**(2.9 pts)**

Business operating profit deteriorated by USD 142 million to a loss of USD 26 million. This deterioration was primarily due to the absence of favorable development of reserves established in prior years, which benefited Farmers Re during 2011. Investment income and other income decreased by USD 2 million, or by 2 percent, primarily due to lower yields which have more than offset the increase from the larger asset base created by the higher All Lines agreement participation rate.

Gross written premiums and policy fees increased by USD 832 million, or by 24 percent, to USD 4.4 billion mainly as a result of the changes in the All Lines agreement as well as the 3 percent gross written premiums growth in the Farmers Exchanges. The changes were an increase to 20 percent effective December 31, 2011 from 12 percent throughout 2011 and a decrease to 18.5 percent effective December 31, 2012, subject to the approval of the California Department of Insurance.

The **net underwriting result** deteriorated by USD 140 million to a loss of USD 163 million. This deterioration, which was exacerbated by the increased participation rate in the All Lines agreement, was mainly due to higher assumed losses from the Farmers Exchanges in 2012. Despite the impact of Storm Sandy the underwriting result returned to profit in the second half of 2012.

The **loss ratio** increased by 1.8 percentage points compared with 2011. The 2011 result reflected favorable development of reserves established in prior years. Although weather-related losses were only slightly higher than 2011 they remained significantly above historical levels. This arose from high weather-related losses during the first half of 2012 relating to a series of tornados and hailstorms in the Midwest U.S. and severe wildfires in Colorado. However, weather-related losses were significantly lower in the second half of the year despite Storm Sandy. These adverse effects were partially offset by an improved underlying loss ratio in 2012 when compared with 2011. The **expense ratio** increased by 1.1 percentage points driven by a change in the reinsurance commissions.

Farmers Exchanges

Farmers Exchanges

in USD millions, for the years ended December 31	2012	2011	Change
Gross written premiums	18,935	18,297	3%
Gross earned premiums	18,703	18,149	3%

Gross written premiums in the Farmers Exchanges, which are managed but not owned by Farmers Group, Inc., a wholly owned subsidiary of the Group, increased by USD 637 million to USD 18.9 billion, or by 3 percent. This increase was driven by continued premium growth in all lines of business primarily as a result of ongoing rate actions undertaken to improve profitability, which resulted in a small decrease in policies in force. Furthermore, the 2012 results are net of the return of USD 74 million of premiums as a result of the anticipated settlement of a lawsuit with the State of Texas and excluding this return gross written premiums were USD 19.0 billion, or 4 percent higher than 2011.

Gross earned premiums in the Farmers Exchanges increased by USD 554 million to USD 18.7 billion, or by 3 percent, driven by continued increases in gross written premiums in all lines of business during the year. Furthermore, the 2012 results are net of the return of USD 74 million of premiums as a result of the anticipated settlement of a lawsuit with the State of Texas. Excluding this return gross earned premiums were USD 18.8 billion, or 3 percent higher than 2011.

Other Operating Businesses

in USD millions, for the years ended December 31	2012	2011	Change
Business operating profit:			
Holding and financing	(736)	(589)	(25%)
Headquarters	(167)	(246)	32%
Total business operating profit	**(903)**	**(835)**	**(8%)**

Other operating businesses loss increased by USD 68 million to USD 903 million in 2012. **Holding and financing** business operating loss increased by USD 147 million to USD 736 million driven by benefits from foreign currency movements in 2011, which did not recur in 2012, as well as reduced income on short term deposits. The reduction of USD 80 million in the business operating loss at **Headquarters** was driven by lower staff related costs and media spend combined with an increase in revenues due to higher license fee charge outs to units.

Non-Core Businesses

in USD millions, for the years ended December 31	2012	2011	Change
Business operating profit:			
Centrally managed businesses:	29	(11)	nm
Centre	75	60	25%
Banking activities [1]	(72)	(90)	20%
Other centrally managed businesses	26	18	39%
Other run-off	100	3	nm
Total business operating profit	**128**	**(8)**	**nm**

[1] Banking activities includes Dunbar Asset Ireland, formerly known as Zurich Bank. On December 14, 2012, the Central Bank of Ireland approved Zurich Bank's request to revoke its banking license. This change does not affect Zurich Bank International Limited which continues to operate in the Isle of Man nor Dunbar Assets plc which continues to operate in the UK.

Centrally managed businesses, which comprise run-off portfolios that are managed with the intention to pro-actively reduce risk and release capital, reported a business operating profit of USD 29 million compared with a loss of USD 11 million in 2011. Business operating profit for **Centre** improved by USD 15 million to USD 75 million mainly driven by reserve releases from the settlement of claims, partially offset by reduced favorable movements in financial markets on Centre's insurance portfolio where both assets and liabilities are carried at fair value. **Banking activities'** business operating loss improved by USD 18 million mainly reflecting lower charges for loan loss provisions compared with 2011. **Other centrally managed businesses** recorded a USD 26 million profit, which was mainly driven by the impact of the reinsurance agreement put in place as a first step for the transfer of a UK general insurance portfolio predominantly consisting of U.S. asbestos, pollution and health risks to a third party.

Other run-off, which largely comprises U.S. life insurance and annuity portfolios, reported a business operating profit of USD 100 million. This profit was mainly driven by a reassessment of liabilities on certain life run-off policies as well as by favorable reserve movements reflecting reduced market volatility.

Operating and financial review *continued*

Investment position and performance

Details of total investments by category

in USD millions, as of	Group investments		Unit-linked investments	
	12/31/12	12/31/11[1]	**12/31/12**	12/31/11[1]
Cash and cash equivalents	9,098	8,882	1,261	1,280
Equity securities:	12,341	12,650	100,144	89,535
Common stocks, including equity unit trusts	9,388	8,477	78,587	70,576
Unit trusts (debt securities, real estate and short-term investments)	2,418	3,675	21,557	18,958
Common stock portfolios backing participating with-profit policyholder contracts	534	498	–	–
Debt securities	155,594	144,511	12,062	11,825
Real estate held for investment	8,561	8,472	3,481	3,898
Mortgage loans	10,519	11,058	–	–
Other loans	12,423	11,944	8,279	7,739
Investments in associates and joint ventures	172	161	–	–
Total	**208,707**	**197,677**	**125,226**	**114,276**

[1] Restated as set out in note 1 of the Consolidated financial statements.

Group investments increased by USD 11.0 billion to USD 208.7 billion, or by 6 percent in U.S. dollar terms since December 31, 2011. On a local currency basis, total Group investments increased by USD 7.7 billion, or by 4 percent, mainly due to positive revaluations of debt securities and cash flows invested in debt securities.

Unit-linked investments increased by USD 11.0 billion to USD 125.2 billion, or by 10 percent in U.S. dollar terms and 7 percent on a local currency basis, mostly benefiting from favorable market movements in Europe.

The Group's asset and liability management strategy remains disciplined and the Group continues to reduce risks which it believes are not rewarded, such as foreign currency, interest rate and concentration risks. The quality of the Group's investment portfolio remains high. Investment grade securities continue to comprise 98 percent of the Group's debt securities.

Performance of Group investments

in USD millions, for the years ended December 31	2012	2011	Change
Net investment income[1]	6,711	7,185	(7%)
Net capital gains/(losses) on investments and impairments	2,201	2,182	1%
of which: net capital gains/(losses) on investments and impairments attributable to shareholders	1,687	1,515	11%
Net investment result on Group investments[1]	8,911	9,367	(5%)
Net investment return on Group investments	**4.4%**	**4.8%**	**(0.4 pts)**
Movements in net unrealized gains/(losses) on investments included in total equity	5,349	1,090	nm
Total investment result on Group investments[1]	**14,261**	**10,458**	**36%**
Average Group investments[2]	203,192	196,788	3%
Total return on Group investments	**7.0%**	**5.3%**	**1.7 pts**

[1] After deducting investment expenses of USD 252 million for the years ended December 31, 2012 and 2011.
[2] Restated as set out in note 1 of the Consolidated financial statements.

Total **net investment income** decreased by 7 percent in U.S. dollar terms to USD 6.7 billion and by 2 percent on a local currency basis compared with 2011, due to lower reinvestment yields on debt securities.

Total **net capital gains on investments and impairments** marginally increased to USD 2.2 billion in 2012 compared with 2011 driven by higher net capital gains from active management.

Net capital gains from active management contributed USD 2.1 billion compared with USD 1.1 billion in 2011, which included a gain of USD 441 million from the sale of part of the Group's share in New China Life Insurance Co. Ltd.

Investments booked at fair value through profit or loss, including derivatives used for hedging, contributed gains of USD 286 million in 2012 compared with gains of USD 1.5 billion in 2011.

Impairments at USD 208 million in 2012 were USD 250 million lower than in 2011.

Net investment return on Group investments was 4.4 percent, 0.4 percentage points lower compared with 2011.

Net unrealized gains/losses on investments included in total equity increased by USD 5.3 billion since December 31, 2011. This mainly reflects higher net unrealized gains on debt securities of USD 4.7 billion resulting from the tightening of credit spreads and falling yields on government securities. Rising equity markets contributed net unrealized gains on equities of USD 606 million since December 31, 2011.

Total return, net of investment expenses, on average Group investments was a strong 7.0 percent, an increase of 1.7 percentage points compared with 2011.

Debt securities, which are invested to match the Group's insurance liability profiles, returned 7.9 percent. Equity securities returned 11.9 percent and other investments returned 3.0 percent.

Operating and financial review *continued*

Performance of unit-linked investments

in USD millions, for the years ended December 31	2012	2011	Change
Net investment income	1,836	1,757	5%
Net capital (losses)/gains on investments and impairments	8,431	(5,302)	nm
Net investment result, net of investment expenses[1]	10,268	(3,544)	nm
Average investments[2]	119,751	111,112	8%
Total return on unit-linked investments	**8.6%**	**(3.2%)**	**11.8 pts**

[1] After deducting investment expenses of USD 508 million and USD 610 million for the years ended December 31, 2012 and 2011, respectively.
[2] Restated as set out in note 1 of the Consolidated financial statements.

Total return on unit-linked investments was a positive 8.6 percent compared with a negative 3.2 percent in 2011. The improvement in the total return was due to net capital gains of USD 8.4 billion compared with net capital losses of USD 5.3 billion in 2011, reflecting stronger equity and debt markets in 2012 compared with those in 2011. Net investment income increased by USD 79 million.

Insurance and investment contract liabilities

Reserves for losses and loss adjustment expenses

The majority of the Group's reserves for losses and loss adjustment expenses are attributable to General Insurance. The remaining reserves mostly relate to Farmers Re and to Non-Core Businesses.

in USD millions	Total Group		of which General Insurance	
	2012	2011[1]	**2012**	2011[1]
As of January 1				
Gross reserves for losses and loss adjustment expenses	67,762[1]	68,274	64,311[1]	64,030
Reinsurers' share	(12,421)[1]	(12,093)	(11,195)[1]	(11,192)
Net reserves for losses and loss adjustment expenses	**55,341[1]**	**56,180**	**53,116[1]**	**52,838**
Net losses and loss adjustment expenses incurred	23,769	22,465	20,547	20,919
Current year	24,340	23,767	21,131	22,140
Prior years	(571)	(1,302)	(584)	(1,221)
Net losses and loss adjustment expenses paid	(23,378)	(22,909)	(20,412)	(20,301)
Current year	(9,853)	(9,817)	(7,621)	(8,241)
Prior years	(13,525)	(13,092)	(12,791)	(12,059)
Acquisitions/(divestments) and transfers	960	181	1,300	177
Foreign currency translation effects	693	(576)	682	(517)
As of December 31				
Net reserves for losses and loss adjustment expenses	**57,385**	**55,341**	**55,234**	**53,116**
Reinsurers' share	(12,601)	(12,421)	(11,308)	(11,195)
Gross reserves for losses and loss adjustment expenses	69,986	67,762	66,542	64,311

[1] Restated as set out in note 1 of the Consolidated financial statements.

The **net reserves for loss and loss adjustment expenses** for the Group increased by USD 2.0 billion to USD 57.4 billion compared with December 31, 2011 of which USD 693 million related to the effects of foreign currency translation. Acquisitions/(divestments) and transfers include USD 1.2 billion from the reclassification of annuity reserves related to claims that were previously included as policyholders contract deposits and other funds. Details of reserve development emerging from reserves established in prior years are set out in note 8 of the Consolidated financial statements. The reduction in favorable development of USD 731 million to USD 571 million primarily arose from the further strengthening of reserves for losses arising in prior years in Germany and a reduction in favorable development in North America Commercial. During 2012, reserves for losses arising in prior years in Germany were strengthened by USD 476 million. This strengthening relates to long-tail liability business in Germany that takes approximately 8 to 12 years on average to settle and still carries a high level of uncertainty going forward. The Group has placed certain parts of this business into run-off.

Operating and financial review *continued*

Development of cumulative net loss ratio[1]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	**2012**
In the year	67.1%	68.3%	73.3%	69.6%	72.7%	74.6%	72.3%	73.5%	74.2%	71.3%
One year later	66.1%	64.2%	68.1%	66.2%	71.7%	74.1%	72.0%	73.2%	74.0%	
Two years later	65.4%	63.5%	66.6%	64.8%	70.6%	72.4%	70.7%	72.1%		
Three years later	65.5%	63.7%	65.0%	63.3%	69.4%	72.3%	70.6%			
Four years later	65.7%	62.9%	63.8%	62.6%	68.6%	72.1%				
Five years later	65.0%	62.2%	63.2%	61.6%	68.0%					
Six years later	64.6%	62.1%	62.6%	61.0%						
Seven years later	64.4%	61.9%	62.3%							
Eight years later	64.5%	61.9%								
Nine years later	64.5%									

[1] The Germany prior years adjustment, as set out in note 1 of the Consolidated financial statements, is reflected as a restatement of the 2011 in the year net loss ratio. For the accident years 2003 to 2010 the adjustment is included in the latest year development.

This table represents the loss ratio development for individual accident years for the Group, with General Insurance being the primary driver. Individual accident years are affected by the level of large catastrophe losses which had the following impact on the loss ratios:

- 2004: Hurricanes Charley, Frances, Jeanne and Ivan in Florida increased the loss ratio by 2.8 percentage points;
- 2005: Hurricanes Katrina, Rita and Wilma in the U.S. and floods in Europe increased the loss ratio by 4.6 percentage points;
- 2007: The winter storm Kyrill in Europe and the floods in the UK increased the loss ratio by 2.5 percentage points;
- 2008: Hurricane Gustav and Hurricane Ike in the U.S. increased the loss ratio by 1.8 percentage points;
- 2010: The earthquake in Chile and the floods in Australia increased the loss ratio by 0.8 percentage points;
- 2011: Floods in Australia, earthquakes in New Zealand, the earthquake and subsequent tsunami in Japan, Hurricane Irene in the U.S. and the floods in Thailand increased the loss ratio by a net 2.6 percentage points, after the Group's aggregate catastrophe reinsurance recovery;
- 2012: Storm Sandy in the north east of the U.S. increased the loss ratio by 2.5 percentage points.

The development of 2003 and subsequent years demonstrates the Group's philosophy of taking a prudent view on reserving.

Reserves for life insurance contracts and liabilities for investment contracts

The majority of the Group's reserves for life insurance contracts and liabilities for investment contracts are attributable to Global Life. Life insurance reserves in other segments relate predominantly to businesses that are in run-off or are centrally managed, and are included only in this first table below.

Group reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts

in USD millions	Global Life		Other segments		Total Group	
	2012	2011[1]	2012	2011	2012	2011[1]
Net reserves as of January 1	195,951[1]	187,196	18,027	17,331	213,978[1]	204,527
Movements in net reserves	18,725	8,754	(1,238)	696	17,487	9,450
Net reserves as of December 31	**214,676**	**195,951**	**16,789**	**18,027**	**231,464**	**213,978**

[1] Restated as set out in note 1 of the Consolidated financial statements.

The following provides further detail on the development and composition of reserves and liabilities in the **Global Life** business.

Global Life – Development of reserves and liabilities

in USD millions	Unit-linked insurance and investment contracts[1]		Other life insurance liabilities[2]		Total reserves and liabilities	
	2012	2011[3]	2012	2011[3]	2012	2011[3]
As of January 1						
Gross reserves	108,295[3]	100,891	89,731[3]	88,299	198,026[3]	189,189
Reinsurers' share	–	–	(2,076)[3]	(1,993)	(2,076)[3]	(1,993)
Net reserves	**108,295[3]**	**100,891**	**87,656[3]**	**86,306**	**195,951[3]**	**187,196**
Premiums	18,263	17,087	9,138	9,187	27,401	26,273
Claims	(17,481)	(13,732)	(9,360)	(10,604)	(26,841)	(24,336)
Fee income and other expenses	(1,900)	(1,866)	(1,780)	(2,277)	(3,679)	(4,143)
Interest and bonuses credited to policyholders	10,394	(3,105)	3,496	3,176	13,890	71
Change in assumptions	–	–	(100)	79	(100)	79
Acquisitions/(divestments) and transfers	4	10,321	998	2,970	1,002	13,291
Increases/(decreases) recorded in other comprehensive income	4	(6)	2,425	730	2,429	724
Foreign currency translation effects	2,795	(1,295)	1,829	(1,910)	4,623	(3,205)
As of December 31						
Net reserves	**120,373**	**108,295**	**94,302**	**87,656**	**214,676**	**195,951**
Reinsurers' share	–	–	(1,988)	(2,076)	(1,988)	(2,076)
Gross reserves	120,373	108,295	96,290	89,731	216,664	198,026

[1] Includes reserves for unit-linked contracts, the net amounts of which were USD 62.2 billion and USD 57.3 billion, and liabilities for investment contracts, the net amounts of which were USD 58.1 billion and USD 51 billion as of December 31, 2012 and 2011, respectively
[2] Includes reserves for future life policyholders' benefits, the net amounts of which were USD 76.7 billion and USD 73.4 billion and policyholders' contract deposits and other funds, the net amounts of which were USD 17.6 billion and USD 14.3 billion as of December 31, 2012 and 2011, respectively
[3] Restated as set out in note 1 of the Consolidated financial statements.

Total reserves and liabilities for insurance and investment contracts, net of reinsurance, increased by USD 18.7 billion, or by 10 percent in U.S. dollar terms and 7 percent on a local currency basis, compared with December 31, 2011. This increase was mainly driven by the impact of favorable market movements on investments in Europe. The increase in acquisition in 2011 is mainly related to Zurich Santander.

Operating and financial review *continued*

Global Life – Reserves and liabilities, net of reinsurance, by region

in USD millions, as of	Unit-linked insurance and investment contracts		Other life insurance liabilities		Total reserves and liabilities	
	12/31/12	12/31/11	**12/31/12**	12/31/11	**12/31/12**	12/31/11
North America	1,021	913	5,307	5,214	6,329	6,126
Latin America	10,709	10,462[1]	5,204	3,400[1]	15,913	13,863[1]
Europe	94,817	84,797	80,468	75,763	175,285	160,560
of which:						
United Kingdom	*58,468*	*52,460*	*5,200*	*5,056*	*63,667*	*57,516*
Germany	*11,823*	*9,859*	*43,084*	*40,004*	*54,907*	*49,863*
Switzerland	*786*	*671*	*19,741*	*18,672*	*20,528*	*19,343*
Ireland	*13,215*	*10,792*	*1,727*	*1,519*	*14,942*	*12,310*
Spain	*4,874*	*5,476*	*5,981*	*6,007*	*10,855*	*11,482*
Rest of Europe	*5,651*	*5,539*	*4,734*	*4,505*	*10,385*	*10,045*
Asia-Pacific and Middle East	11,315	10,265	3,035	3,005	14,350	13,269
Other	2,511	1,858	284	273	2,795	2,131
Eliminations	–	–	4	2	4	2
Total	**120,373**	**108,295**	**94,302**	**87,656**	**214,676**	**195,951**

[1] Restated as set out in note 1 of the Consolidated financial statements.

Unit-linked insurance and investment contracts, net of reinsurance, increased by USD 12.1 billion, or by 11 percent in U.S. dollar terms and 9 percent local currency terms, compared with December 31, 2011, mainly driven by the impact of favorable market movements on investments in Europe.

Other life insurance liabilities, net of reinsurance, increased by USD 6.6 billion, or by 8 percent in U.S. dollar terms and 6 percent on a local currency basis, compared with December 31, 2011, also mainly driven by the impact of favorable market movements on investments in Europe.

Indebtedness

Previously presented details of debt issuances in the Operating and financial review are now set out in note 21 of the Consolidated financial statements.

Capitalization

in USD millions	Shareholders' equity	Non-controlling interests	Total equity
As of December 31, 2011, as previously reported	31,636	2,380	34,017
Total adjustments due to restatement[1]	(153)	109	(44)
As of December 31, 2011, as restated	**31,484**	**2,489**	**33,973**
Proceeds from issuance of share capital	221	–	221
Proceeds from treasury share transactions	30	–	30
Dividends	(1,923)	(43)	(1,966)
Share-based payment transactions	(34)	–	(34)
Change of ownership with no loss of control	(5)	–	(5)
Total comprehensive income	4,721	136	4,856
Net income after taxes	3,878	89	3,967
Net other recognized income and expenses	843	47	890
Net changes in capitalization and non-controlling interests	–	(214)	(214)
As of December 31, 2012	**34,494**	**2,368**	**36,862**

[1] Restated as set out in note 1 of the Consolidated financial statements.

Total equity as restated increased by USD 2.9 billion to USD 36.9 billion, or by 9 percent. This increase was generated principally from total comprehensive income of USD 4.9 billion including USD 4.0 billion from net income after taxes and USD 890 million of net other recognized income. This increase was offset by the deduction of USD 2.8 billion for the dividend of CHF 17.00 per share, which was approved at the Annual General Meeting on March 29, 2012, to be paid out of the capital contribution reserve. Of this USD 2.8 billion, USD 1.9 billion has been included as dividends and USD 840 million has been included in other comprehensive income as cumulative foreign currency translation adjustments. Net other comprehensive income included net unrealized gains on investments of USD 1.7 billion, offset by net actuarial losses on pension plans of USD 451 million and cumulative foreign currency translation adjustment losses of USD 415 million, after including the loss effect of the cumulative translation adjustment on the dividend. The overall decrease of USD 121 million in non-controlling interests arose mainly from the impact of adjustments to the valuation of Zurich Santander and the effects on non-controlling interests from the loss of control over a subsidiary.

The Swiss Solvency Test (SST) became fully effective and mandatory as of January 1, 2011. Under SST, the Group is required to use a company-specific internal model to calculate risk-bearing and target capital and to file SST reports half yearly. For July 1, 2012 the Group filed, on a consolidated basis, an SST capitalization ratio of 178 percent, while the SST capitalization ratio as of January 1, 2012 amounted to 183 percent following a review by FINMA. The internal model continues to be subject to approval by FINMA.

The Group also continues to be subject to Solvency I requirements based on the Swiss Insurance Supervision Law. The Solvency I ratio as of December 31, 2012, increased to 278 percent from 232 percent as of December 31, 2011, after restatement.

Operating and financial review *continued*

Cash flows

Summary of cash flows

in USD millions, for the years ended December 31	**2012**	2011[1]
Net cash provided by operating activities	2,563	3,888
Net cash used in investing activities	(234)	(1,062)
Net cash used in financing activities	(2,318)	(2,439)
Foreign currency translation effects on cash and cash equivalents	187	48
Change in cash and cash equivalents	197	436
Cash and cash equivalents as of January 1	10,162	9,726
Cash and cash equivalents as of December 31	**10,359**	**10,162**

[1] Restated as set out in note 1 of the Consolidated financial statements.

Net cash and cash equivalents increased by USD 197 million for the year ended December 31, 2012 compared with an increase of USD 436 million in 2011. Net cash provided by operating activities, which included cash movements in and out of, as well as within total investments, was USD 2.6 billion for the year ended December 31, 2012. Net cash used in investing activities of USD 234 million related to the increase in the beneficial interest in Zurich Insurance Company South Africa Limited and to payments of deferred purchase price components related to the acquisition of ZIMB in 2011, as well as to sales and purchases of property and equipment. Net cash outflows from financing activities of USD 2.3 billion were primarily related to the payment of the dividend of USD 2.7 billion partially offset by the net issuance of debt of USD 260 million.

Currency translation impact

The Group operates worldwide in multiple currencies and seeks to match foreign exchange exposures on an economic basis.

As the Group has chosen the U.S. dollar as its presentation currency, differences arise when functional currencies are translated into the Group's presentation currency. The table below shows the effect of foreign currency rates on the translation of selected line items.

Selected Group income statement line items

variance over the prior period, for the year ended December 31, 2012	in USD millions	in %
Gross written premiums and policy fees	(2,176)	(4%)
Insurance benefits and losses, gross of reinsurance	1,522	4%
Net income attributable to shareholders	(45)	(1%)
Business operating profit	(71)	(2%)

The Consolidated income statements are translated at average exchange rates. Throughout 2012, the U.S. dollar has on average been stronger against the euro, Swiss franc and British pound, compared with 2011. The net impact on the result has been a reduction in U.S. dollar terms with a decrease in gross written premiums and policy fees partially offset by a decrease in U.S. dollar terms in insurance benefits and losses.

Selected Group balance sheet line items

variance over December 31, 2011, as of December 31, 2012	in USD millions	in %
Total investments	5,904	2%
Reserves for insurance contracts, gross	3,555	1%
Cumulative translation adjustment in shareholders' equity[1]	(440)	(1%)

[1] Restated as set out in note 1 of the Consolidated financial statements.

The Consolidated balance sheets are translated at end-of-period rates. The U.S. dollar has weakened against the British pound, Swiss franc and the euro as of December 31, 2012 compared with December 31, 2011, resulting in an increase in U.S. dollar terms for most balance sheet items. The effects of changes of the major currencies were partially offset by U.S. dollar appreciation against the Brazilian real.

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Risk review

Zurich's approach to risk management aims to protect the Group's capital, enhance value creation, optimize its risk-return profile, support decision making and protect Zurich's reputation and brand. The Risk review describes the Group's risk management framework and risk governance, presents an analysis of its main risks, and reports on capital management and capital adequacy.

Contents

The Risk review is an integral part of the Consolidated financial statements (except for the "Swiss Solvency Test Requirement," "Internal Model Capital Adequacy" and "Conclusion" sections presented on pages 153–161).

Risk review *continued*

Risk management

Mission and objectives of risk management

The mission of risk management at Zurich Insurance Group (Zurich, or the Group) is to promptly identify, measure, manage, report and monitor risks that affect the achievement of strategic, operational and financial objectives. This includes adjusting the risk profile in line with the Group's stated risk tolerance to respond to new threats and opportunities in order to optimize returns.

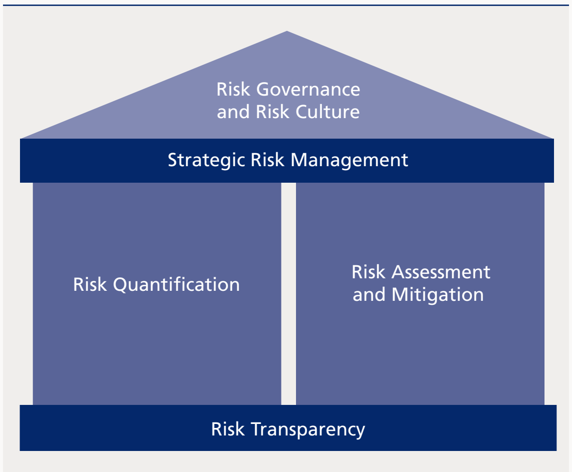
The Group's major risk management objectives are to:

- Protect the capital base by monitoring that risks are not taken beyond the Group's risk tolerance
- Enhance value creation and contribute to an optimal risk-return profile by providing the basis for an efficient capital deployment
- Support the Group's decision-making processes by providing consistent, reliable and timely risk information
- Protect Zurich's reputation and brand by promoting a sound culture of risk awareness and disciplined and informed risk taking

Risk management framework

In order to achieve its mission and objectives, the Group relies on its risk management framework.

Risk management framework



At the heart of the risk management framework is a governance process with clear responsibilities for taking, managing, monitoring and reporting risks. The Group articulates the roles and responsibilities for risk management throughout the organization, from the Board of Directors and the Chief Executive Officer (CEO) to its businesses and functional areas, thus embedding risk management in the business (see the "Risk governance and risk management organization" section in the Risk review).

To support the governance process, the Group relies on documented policies and guidelines. The Zurich Risk Policy is the Group's main risk governance document; it specifies the Group's risk tolerance, risk limits and authorities, reporting requirements, procedures to approve any exceptions and procedures for referring risk issues to senior management and the Board of Directors. Limits are specified per risk type, reflecting the Group's willingness and ability to take risk, considering earnings stability, economic capital adequacy, financial flexibility and liquidity, franchise value and reputation, the Group's strategic direction and operational plan, and a reasonable balance between risk and return, aligned with economic and financial objectives. The Group regularly enhances the Zurich Risk Policy to reflect new insights and changes in the Group's environment and to reflect changes to the Group's risk tolerance. In 2012, the Zurich Risk Policy was updated and strengthened for various areas, including actuarial reserving in General Insurance, reinsurance, receivables and operational risk management, particularly outsourcing and business continuity management. Related procedures and risk controls were strengthened or clarified for these areas. As an ongoing process, adherence to requirements stated in the Zurich Risk Policy is assessed.

One of the key elements of the Group's risk management framework is to foster risk transparency by establishing risk reporting standards throughout the Group. The Group regularly reports on its risk profile, current risk issues, adherence to its risk policies and improvement actions both at a local and on a Group level. The Group has procedures in place for the timely referral of risk issues to senior management and the Board of Directors.

Various governance and control functions coordinate to help ensure that objectives are being achieved, risks are identified and appropriately managed and internal controls are in place and operating effectively. This coordination is referred to as "integrated assessment and assurance."

Risk management is not only embedded in Zurich's business but is also aligned with the Group's strategic and operational planning process. The Group assesses risks systematically and from a strategic perspective through its proprietary Total Risk Profiling™ (TRP) process, which allows Zurich to identify and then evaluate the probability of a risk scenario occurring, as well as the severity of the consequences should it occur. The Group then develops, implements and monitors appropriate improvement actions. The TRP process is integral to how Zurich deals with change, and is particularly suited for evaluating strategic risks as well as risks to its reputation. At Group level this process is performed annually, reviewed regularly and tied to the planning process.

In addition to this qualitative approach the Group regularly measures and quantifies material risks to which it is exposed. The Zurich Economic Capital Model (Z-ECM) provides a key input into the Group's strategic planning process as it allows an assessment as to whether the Group's risk profile is in line with the Group's risk tolerance. In particular, Z-ECM forms the basis for optimizing the Group's risk-return profile by providing consistent risk measurement across the Group. See "Internal model capital adequacy (unaudited)" on page 155 for more information about the Group Risk Tolerance.

An important element of the Group's risk management framework is a well-balanced and effectively managed remuneration program. This includes a Group-wide remuneration philosophy, robust short- and long-term incentive plans, strong governance and links to the business planning, performance management and risk policies of the Group. Based on the Group's Remuneration Rules, the Board establishes the structure and design of the remuneration arrangements so that they do not encourage inappropriate risk taking. The Group Chief Risk Officer (Group CRO) consults with the other assurance, control and governance functions to provide the Chief Executive Officer with a review of risk factors to consider in the annual process to determine variable compensation. In 2012, the Group CRO strengthened the process through which the assurance, control and governance functions provide risk and compliance information about each Group Key Risk Taker as part of the annual individual performance assessment. For more information on Zurich's remuneration system, see the "Remuneration report (unaudited)."

Through these processes, responsibilities and policies, Zurich embeds a culture of disciplined risk taking across the Group. The Group continues to consciously take risks for which it expects an adequate return. This approach requires sound judgment and an acceptance that certain risks can and will materialize in the future.

External perspectives

Various external stakeholders, among them regulators, rating agencies, investors and accounting bodies, place emphasis on the importance of sound risk management in the insurance industry.

Regulatory regimes, such as the Swiss Solvency Test in Switzerland and the regulatory principles of Solvency II in the European Union, emphasize a risk-based and economic approach, based on comprehensive quantitative and qualitative assessments and reports.

Rating agencies are interested in risk management as a factor in evaluating companies. Standard & Poor's, a rating agency with a separate rating for Enterprise Risk Management, has rated Zurich's overall Enterprise Risk Management as "strong." Reinsurance and credit risk controls remain "excellent." Market, asset/liability management, reserving, catastrophe and operational risk controls, as well as strategic and emerging risk management, are seen as "strong." Zurich is rated either "excellent" or "strong" in all of Standard & Poor's dimensions for Enterprise Risk Management.

The Group also seeks external expertise from its International Advisory Council and Natural Catastrophe Advisory Council to better understand and assess risks, particularly regarding areas of complex change. For more information on these councils, see the "Corporate governance report (unaudited)." In addition, the Investment Management Advisory Council provides feedback to Investment Management on achieving superior risk-adjusted returns versus liabilities for the Group's invested assets.

Risk review *continued*

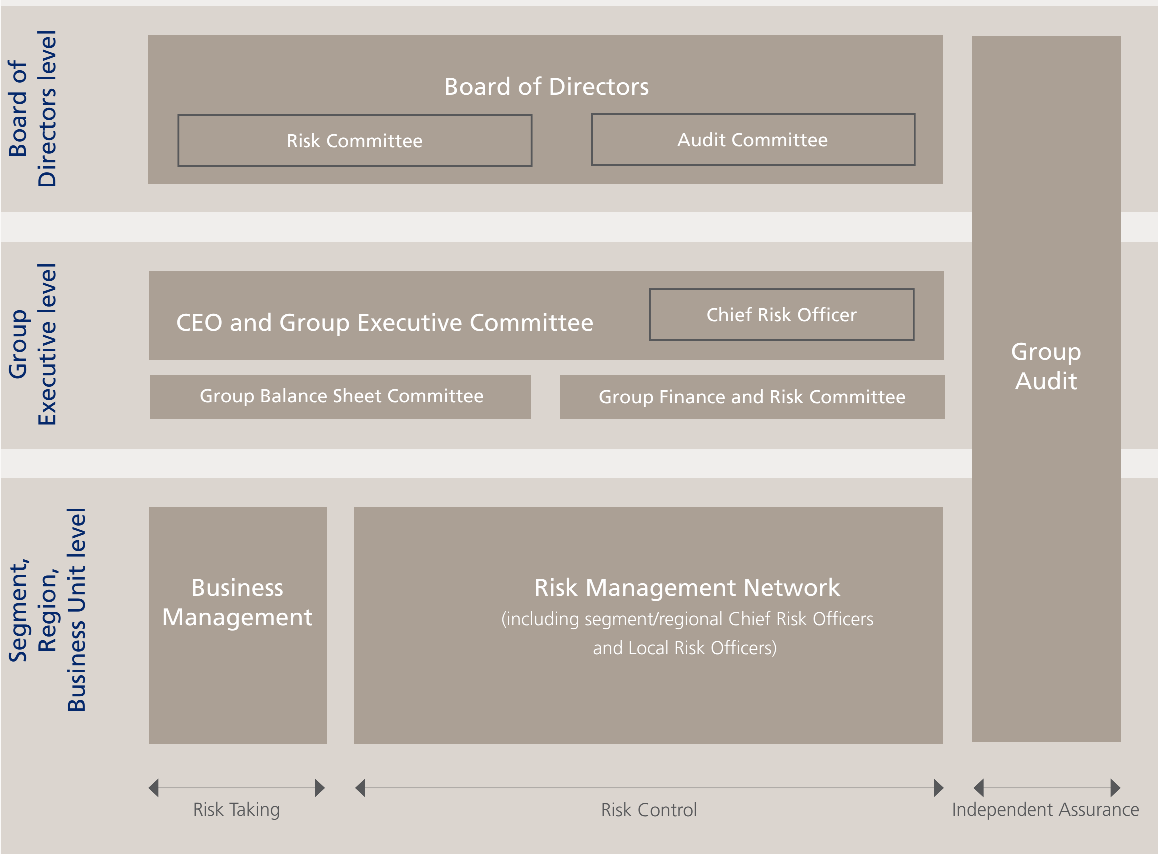
The Group is also involved in a number of international industry organizations engaged in advancing the regulatory dialogue and sound risk management practices pertaining to insurance. Zurich is also a standing member of and actively contributes to the Emerging Risk Initiative of the CRO Forum (an organization composed of the chief risk officers of major insurance companies and financial conglomerates that focuses on developing and promoting industry best practices in risk management).

Zurich is a main contributor to the Global Risk Report that is produced by the World Economic Forum in cooperation with external partners (Swiss Re, Marsh & McLennan Companies and the Wharton Center for Risk Management). The report's assessment of the most pressing global risks and the interconnections among them provides valuable information for risk mitigation across the globe. Supporting the report is also part of the Group's commitment to corporate responsibility by sharing Zurich's expertise to help businesses, nations and society.

Risk governance and risk management organization

The section below gives an overview of the Group's risk governance and risk management organization.

Risk governance overview



The overview above highlights only key elements of the governance framework that specifically relate to risk management.

Board of Directors level

The Board of Directors of Zurich Insurance Group Ltd has ultimate oversight responsibility for the Group's risk management. It establishes the guidelines for the Group's risk management framework and key principles, particularly as articulated in the Zurich Risk Policy, and decides on changes to such guidelines and key principles, as well as transactions reaching specified thresholds.

The Risk Committee of the Board serves as a focal point for oversight regarding the Group's risk management, in particular the Group's risk tolerance, including agreed limits that the Board regards as acceptable for Zurich to bear, the aggregation of these limits across the Group, the measurement of adherence to risk limits, and the Group's risk tolerance in relation to anticipated capital levels. The Risk Committee further oversees the Group-wide risk governance framework, including risk management and control, risk policies and their implementation, as well as risk strategy and the monitoring of operational risks. The Risk Committee also reviews the methodologies for risk measurement and the Group's adherence to risk limits. The Risk Committee further reviews, with business management and the Group Risk Management function, the Group's general policies and procedures and satisfies itself that effective systems of risk management are established and maintained. It receives regular reports from Group Risk Management and assesses whether significant issues of a risk management and control nature are being appropriately addressed by management in a timely manner. The Risk Committee assesses the independence and objectivity of the Group Risk Management function, approves its terms of reference, reviews the activities, plans, organization and quality of the function, and reviews key risk management principles and procedures.

To facilitate information exchange between the Audit Committee of the Board and the Risk Committee of the Board, at least one board member is a member of both committees. The Risk Committee met seven times in 2012 (once jointly with the Remuneration Committee).

Group Executive level

The Chief Executive Officer, together with the Group Executive Committee (GEC), oversees the Group's performance with regard to risk management and control, strategic, financial and business policy issues of Group-wide relevance. This includes monitoring adherence to and further development of the Group's risk management policies and procedures. The Group Balance Sheet Committee and the Group Finance and Risk Committee regularly review and make recommendations on the Group's risk profile and significant risk-related issues.

The Chief Risk Officer is a member of the GEC and reports directly to the CEO and the Risk Committee of the Board. He is a member of each of the management committees listed below, in order to provide a common and integrated approach to risk management, to allow for appropriate quantification and, where necessary, mitigation of risks identified in these committees.

At a Group level the management committees dealing with risks are:

- Group Balance Sheet Committee (GBSC) – acts as a cross-functional body whose main function is to control the activities that materially affect the balance sheets of the Group and its subsidiaries. The GBSC is charged with setting the annual capital and balance sheet plans for the Group based on the Group's strategy and financial plans, as well as recommending specific transactions or unplanned business changes to the Group's balance sheet. The GBSC has oversight of all main levers of the balance sheet, including capital management, reinsurance, asset/liability management, and liquidity. The GBSC reviews and recommends the Group's overall risk tolerance. It is chaired by the CEO.
- Group Finance and Risk Committee (GFRC) – acts as a cross-functional body for financial and risk management matters in the context of the strategy and the overall business activity of the Group. The GFRC oversees financial implications of business decisions and the effective management of the Group's overall risk profile, including risks related to insurance, financial markets and asset/liability, credit and operational risks as well as their interactions. The GFRC proposes remedial actions based on regular briefings from Group Risk Management on the risk profile of the Group. It reviews and formulates recommendations for future courses of action with respect to potential merger and acquisition (M&A) transactions, changes to the Zurich Risk Policy, internal insurance programs for the Group, material changes to the Group's risk-based capital methodology and the overall risk tolerance. The GFRC is chaired by the Chief Financial Officer, while the Chief Risk Officer acts as deputy.

The management committees rely on output provided by technical committees, including:

- Asset/Liability Management and Investment Committee (ALMIC) – deals with the Group's asset/liability exposure and investment strategies and is chaired by the Chief Investment Officer.
- General Insurance Global Underwriting Committee (GUC) – acts as a focal point for underwriting policy and related risk controls for General Insurance and is chaired by the Global Chief Underwriting Officer for General Insurance.
- Group Reinsurance Committee (GRC) – defines the Group's reinsurance strategy in alignment with the Group's risk framework and is chaired by the Global Head of Group Reinsurance.

Representatives of Group Risk Management are members of all these technical committees.

Risk review *continued*

Group Risk Management organization

The Chief Risk Officer leads the Group Risk Management function, which develops methods and processes for identifying, measuring, managing, monitoring and reporting risks throughout the Group. Group Risk Management proposes changes to the risk management framework and the Group's risk policies; it makes recommendations on the Group's risk tolerance and assesses the risk profile. The Chief Risk Officer is responsible for the oversight of risks across the Group; he regularly reports risk matters to the Chief Executive Officer, senior management committees and the Risk Committee of the Board.

The Group Risk Management organization consists of central functions at Corporate Center and a decentralized risk management network at segment, regional, business unit and functional levels.

At Group level there are two centers of expertise: risk analytics and risk and control. The risk analytics department quantitatively assesses insurance, financial market and asset/liability, credit and operational risks and is the Group's center of excellence for risk quantification and modeling. The risk and control department includes operational risk management, internal control framework, risk reporting, risk governance, and risk operations. The risk management network consists of the Chief Risk Officers (CROs) of the Group's segments and regions, and the Local Risk Officers (LROs) of the business units and functions and their staff. While their primary focus is on operational and business-related risks, they are responsible for providing a holistic view of risk for their area. The risk officers are part of the management teams in their respective businesses and therefore are embedded in the business. The LROs also report to the segment or regional CROs, who in turn report to the Group's Chief Risk Officer. The CROs of the Group's segments and regions are members of the leadership team of the Group's Chief Risk Officer.

In addition to the risk management network, the Group has audit and oversight committees at the major business and regional levels. The committees are responsible for providing oversight of the risk management and control functions. This includes monitoring adherence to policies and periodic risk reporting. At the local level, these oversight activities are conducted through risk and control committees or quarterly meetings between senior executives and the local heads of governance functions.

Analysis by risk type

Risk type description

In order to enable a consistent, systematic and disciplined approach to risk management, Zurich categorizes its main risks as follows:

- Strategic – the unintended risk that can result as a by-product of planning or executing a strategy
- Insurance – risk associated with the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities
- Market – risk associated with the Group's balance sheet positions where the value or cash flow depends on financial markets
- Credit – risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations
- Liquidity – risk that the Group does not have sufficient liquidity to meet its obligations when they fall due, or would have to incur excessive costs to do so
- Operational – risk associated with the people, processes and systems of the Group, and external events such as outsourcing, catastrophes, legislation, or external fraud
- Reputation – risk that an act or omission by the Group or any of its employees could result in damage to the Group's reputation or loss of trust among its stakeholders

The Zurich Economic Capital Model quantifies the internal capital for insurance, market, credit and operational risks. See section "Internal model capital adequacy (unaudited)" starting on page 155.

Strategic risk

Strategic risk corresponds to the unintended risk that can result as a by-product of planning or executing the strategy. A strategy is a long term plan of action designed to allow the Group to achieve its goals and aspirations. Strategic risks can arise from:

- Inadequate assessment of strategic plans
- Improper implementation of strategic plans
- Unexpected changes to assumptions underlying strategic plans

Risk considerations are a key element in the strategic decision-making process. The Group assesses the implications of strategic decisions on risk-based return measures and risk-based capital in order to optimize the risk-return profile and to take advantage of economically profitable growth opportunities as they arise.

The Group works on reducing the unintended risks of strategic business decisions through its risk assessment processes and tools, including the Total Risk Profiling™ process. The Group Executive Committee regularly assesses key strategic risk scenarios for the Group as a whole, including scenarios for emerging risks and their strategic implications.

The Group specifically evaluates the risks of M&A transactions both from a quantitative and a qualitative perspective. The Group conducts risk assessments of M&A transactions to evaluate risks specifically related to the integration of acquired businesses.

Risk review *continued*

Insurance risk

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities. The exposure is transferred to Zurich through the underwriting process. Zurich actively seeks to write those risks it understands and that provide a reasonable opportunity to earn an acceptable profit. As Zurich assumes certain customer risks, it aims to manage that transfer of risk, and minimize unintended underwriting risks, through such means as:

- Establishing limits for underwriting authority
- Requiring specific approvals for transactions involving new products or where established limits of size and complexity may be exceeded
- Using a variety of reserving and modeling methods to address the various insurance risks inherent in the Group's insurance business
- Ceding insurance risk through proportional, non-proportional and specific risk reinsurance treaties. The Group centrally manages reinsurance treaties.

General insurance risk

General insurance risk includes the reasonable possibility of significant loss due to uncertainty in the frequency of the occurrence of the insured events as well as in the severity of the resulting claims. The following provides an overview of the Group's main lines of business:

- Motor includes automobile physical damage, loss of the insured vehicle and automobile third party liability insurance.
- Property includes fire risks (for example fire, explosion and business interruption), natural perils (for example earthquake, windstorm and flood), engineering lines (for example boiler explosion, machinery breakdown and construction) and marine (cargo and hull).
- Liability includes general/public and product liability, excess and umbrella liability, professional liability including medical malpractice, and errors and omissions liability.
- Special lines include directors and officers, credit and surety, crime and fidelity, accident and health, and crop.
- Worker injury includes workers compensation and employers liability.

The Group's underwriting strategy is to take advantage of the diversification of general insurance risks across industries and geographic regions in which the Group operates. The Group seeks to optimize shareholder value by achieving its mid-term return on equity goals. Doing so necessitates a prudent, stable underwriting philosophy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility. At the core of the Group's underwriting is a robust governance process. The Group's four major processes for underwriting governance – underwriting strategy, authorities, referrals and reviews – are implemented at Group and local levels.

A fundamental component of managing insurance risk is underwriting discipline. The Group sets limits on underwriting capacity, and cascades authority to individuals based on their specific expertise. Through The Zurich Way, the Group sets appropriate pricing guidelines with a focus on consistent technical pricing across the organization. As part of these guidelines, the Group requires the setting of a technical price according to common standards. The technical price is set in a way that allows producing a return on risk-based capital in line with the Group's target. The ratio of actual premium to technical price is a key performance metric, which is monitored regularly. Technical reviews confirm whether underwriters perform within authorities and adhere to underwriting philosophies and policies. The Group's global line of business networks share best practices across the globe, providing additional guidance and governance. The Group has governance procedures to review and approve potential new products to evaluate whether the risks are well understood and justified by the potential rewards.

The Group faces the risk that actual losses emerging on claims provisions may be higher than anticipated. Because of this uncertainty, general insurance reserves are regularly measured, reviewed and monitored. The total loss and loss adjustment expense reserves are based on work performed by qualified and experienced actuaries at the local, regional and Group level.

To arrive at their reserve estimates, the actuaries take into consideration, among other things, the latest available facts, historical trends and patterns of loss payments, exposure growth, court decisions, economic conditions, in particular inflation, and public attitudes that may affect the ultimate cost of settlement. Inflation is monitored on a country basis; the monitoring process relies on both Zurich's economic view on inflation and specific claims activity, and feeds into actuarial models and Zurich's underwriting processes such as technical price reviews.

In most instances these actuarial analyses are made at least twice a year for on-going business according to agreed timetables. Analyses are performed by product line, type and extent of coverage and year of occurrence. The Group has reserve committees to facilitate communications and reporting regarding reserve opinions. A series of reserve committees feeds from the local level to regions and segments and into a Group reserve committee, where the Group's total loss and loss adjustment expense reserves are consolidated and recommended for approval by Group management. As with any projection there is an inherent uncertainty in the estimation of claim reserves due to the fact that the ultimate liability for claims will be impacted by trends as yet unknown including future changes in the likelihood of claimants bringing suit, the size of court awards, and the attitudes of claimants toward settlement of their claims.

The Group closely monitors potential new emerging risk exposures. Zurich has an Emerging Risk Group (ERG), with cross-functional expertise from core insurance functions such as underwriting, claims and risk engineering in order to identify, assess and recommend actions for such risks on a Group level. In 2012, Group Risk Management also established a Group-wide network of functional experts to support the ERG in covering topics outside the underwriting scope such as political, legal and macro-economic trends or scenarios that may trigger the emergence of risks.

In addition to the specific risks insured, each line of business could expose the Group to losses that could arise from natural and man-made catastrophes. The main concentrations of risks arising from such potential catastrophes are regularly reported to senior management. The most important peril regions and risks are United States and Caribbean tropical cyclone, Europe windstorm and California earthquake, as well as potential terrorism exposures.

Tables 1.a and 1.b show the Group's concentration of risk within the General Insurance business by region and line of business based on direct written premiums before reinsurance. The Group's exposure to general insurance risks varies significantly by geographic region and may change over time. General insurance premiums ceded to reinsurers (including retrocessions) amounted to USD 5.9 billion and USD 5.3 billion for the years ended December 31, 2012 and 2011, respectively. Reinsurance programs such as catastrophe covers are managed on a global basis, and therefore, net premium after reinsurance is monitored on an aggregated basis.

General Insurance – Direct written premiums and policy fees by line of business and by region – current period

Table 1.a

in USD millions, for the year ended December 31, 2012	Motor	Property	Liability	Special lines	Worker injury	Total
North America	1,372	3,225	3,313	1,628	2,463	12,000
Europe	5,854	4,613	2,400	2,029	437	15,333
Other regions[1]	2,364	1,943	462	1,114	176	6,060
Total	**9,590**	**9,782**	**6,175**	**4,771**	**3,075**	**33,393**

[1] Including intercompany eliminations

General Insurance – Direct written premiums and policy fees by line of business and by region – prior period

Table 1.b

in USD millions, for the year ended December 31, 2011	Motor	Property	Liability	Special lines	Worker injury	Total
North America	1,371	2,965	3,059	1,588	2,255	11,239
Europe	6,322	4,768	2,493	2,229	450	16,261
Other regions[1]	2,043	1,661	446	581	148	4,880
Total	**9,736**	**9,394**	**5,998**	**4,399**	**2,853**	**32,379**

[1] Including intercompany eliminations

Risk review *continued*

Sensitivities analysis for general insurance risk

Tables 2.a and 2.b show the sensitivity of net income before tax and the sensitivity of net assets, using the Group effective income tax rate, as a result of adverse development in the net loss ratio by one percentage point. Such an increase could arise from either higher frequency of the occurrence of the insured events or from an increase in the severity of resulting claims or from a combination of frequency and severity. The sensitivities do not indicate a probability of such an event and do not consider any non-linear effects of reinsurance. Based on the assumptions applied in the presentation of the sensitivity analysis in tables 2.a and 2.b, each additional percentage point increase in the loss ratio would lead to a linear impact on net income before tax and net assets. In addition, the Group monitors insurance risk by evaluating extreme scenarios, taking into account non-linear effects of reinsurance contracts.

Insurance risk sensitivity for the General Insurance business – current period

Table 2.a

in USD millions, for the year ended December 31, 2012	Global Corporate	North America Commercial	Europe	International Markets
+1% in net loss ratio				
Net income before tax	(55)	(76)	(118)	(43)
Net assets	(41)	(57)	(89)	(32)

Insurance risk sensitivity for the General Insurance business – prior period

Table 2.b

in USD millions, for the year ended December 31, 2011	Global Corporate	North America Commercial	Europe	International Markets
+1% in net loss ratio				
Net income before tax	(54)	(76)	(126)	(34)
Net assets	(41)	(58)	(96)	(26)

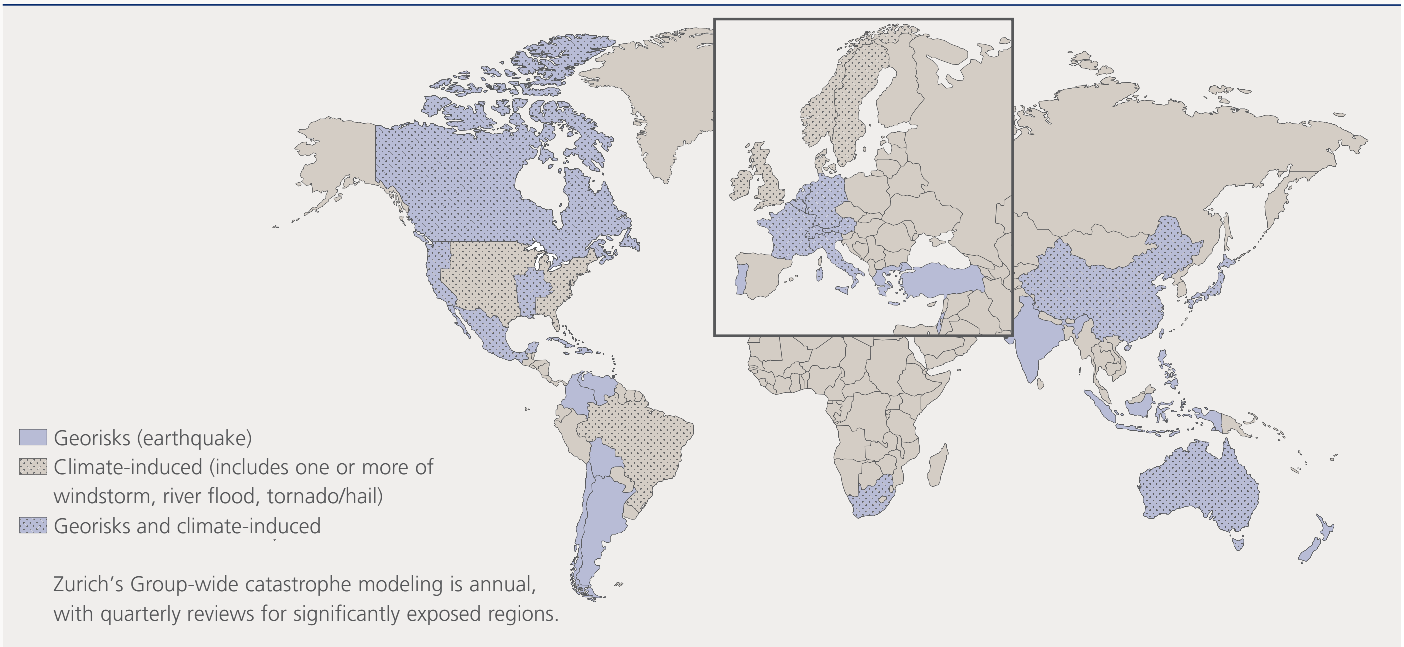
Modeling natural catastrophes

Understanding the potential effects of natural catastrophes is a critical component of risk management for general insurance. While specific catastrophes are unpredictable, modeling helps to determine potential losses should catastrophes occur. The Group uses a combination of third-party and in-house models to manage its underwriting and accumulations in modeled areas to stay within intended exposure limits and to guide the levels of reinsurance Zurich buys.

The Group models exposures in a center of excellence for consistency in approach and to form a global perspective on accumulations. The center of excellence for catastrophe modeling works with the local businesses to help improve the overall quality of data, by analyzing and comparing data quality levels, providing priorities for data quality improvements and supporting implementation with advice and external data, where required. The Group models potential losses from property policies located in hazard-prone areas with material exposure and adjusts for non-property related losses. These assessments principally address climate-induced perils such as windstorms, river floods, tornadoes and hail, and geologically induced perils such as earthquakes. The Group constantly seeks to improve its modeling, fill in gaps in models with additional assessments and increase the granularity of data collection in order to increase the accuracy and utility of the information.

The Group continues to improve the "Zurich view" of catastrophe risk by using output from multiple catastrophe models, by using internal and external expertise, for instance through the Natural Catastrophe Advisory Council, a group of scientists associated with research organizations such as the U.S. National Center for Atmospheric Research, the United States Geological Survey and the Intergovernmental Panel on Climate Change. Zurich further validates modeling results through comparisons with claims experience. In addition, Zurich continues its effort to extend assessments by evaluating potential non-modeled catastrophe hotspots and including appropriate modeling or loadings for non-modeled lines.

Peril regions assessed for 2012



Risk review *continued*

Risks from man-made catastrophes

Man-made catastrophes include such risks as industrial accidents and all types of terrorism attacks. Zurich's experience in monitoring potential exposures from natural catastrophes is also applicable to threats posed by man-made catastrophes, particularly terrorism.

The Group reviews and aggregates worker injury and property exposures to identify areas of significant concentration. The Group also assesses other lines of business, such as liability and auto, although the potential exposure is not as significant. The resulting data allows underwriters to evaluate how insuring a particular customer's risk might affect Zurich's overall exposure. In North America, Zurich uses a vendor-provided catastrophe model to evaluate potential exposures in every major U.S. city. The Group undertakes more detailed and frequent analytics for cities in which Zurich has greater exposure.

Although the Group's analysis has shown its exposures outside North America are lower, in large part due to government-provided pools; the Group has extended its approach to improve its view of the risk for countries with the next greatest potential net exposure. The Group periodically monitors accumulation limits for these and other areas, and continues to refine its analytics.

Life insurance risk

The risks associated with life insurance include:

- Mortality risk is the risk that actual policyholder death experience on life insurance policies is higher than expected.
- Longevity risk is the risk that annuitants live longer than expected.
- Morbidity risk is the risk that policyholder health-related claims are higher than expected.
- Policyholder behavior risk is the risk that policyholders' behavior in discontinuing and reducing contributions or withdrawing benefits prior to the maturity of the contract is worse than expected. Poor persistency rates may lead to fewer policies remaining on the books to defray future fixed expenses and therefore reduce the future positive cash
- flows from the business written, potentially impacting its ability to recover deferred acquisition expenses.
- Expense risk is the risk that expenses incurred in acquiring and administering policies are higher than expected.
- Market risk is the risk associated with the Group's balance sheet positions where the value or cash flow depends on financial markets, which is analyzed in the "Market risk" section in the Risk review.
- Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations, which is analyzed in the "Credit risk" section in the Risk review.

A more diversified portfolio of risks is less likely to be affected across the board by a change in any subset of the risks. As a result, the offsetting effects between unit-linked and traditional business reduce some of the risk associated with the Global Life business.

The Group has local product development committees and a Group-level product approval committee, under the leadership of the Global Life Chief Risk Officer, for potential new life products that could significantly increase or change the nature of its risks. Such reviews allow Zurich to manage new risks inherent in its new business propositions. The Group regularly reviews the continued suitability and the potential risks of existing products.

The Group's use of market-consistent embedded value reporting principles allows Zurich to further understand and report on the risk profile of its life products and how risks would change in differing market conditions. Embedded value is the measure that markets use to value life businesses and is considered industry best practice. For more information, see the "Embedded value report."

From a risk-management perspective, unit-linked products have been designed in order to reduce much of the market and credit risk associated with traditional business for the Group. Those risks inherent in these products are largely passed on to the policyholder, although a portion of the Group's management fees are linked to the value of funds under management and hence are at risk if the fund values decrease. Unit-linked products carry mortality risk and market risk to the extent that there are guarantees built into the product design. Contracts may have minimum guaranteed death benefits where the sum at risk depends on the fair value of the underlying investments. For certain contracts these risks are mitigated by explicit mortality and morbidity charges.

Other life insurance liabilities include traditional life insurance products, which include protection products and life annuity products. Protection products carry mortality, longevity and morbidity risk as well as market and credit risk. The most significant factors that could increase the frequency of mortality claims are epidemics, such as strains of influenza, or lifestyle changes such as eating, drinking and exercise habits, resulting in earlier or more claims than expected. Morbidity claims experience would not only be affected by the factors mentioned above, but because disability is defined in terms of the ability to perform an occupation, it could also be affected by economic conditions. In order to reduce cross-subsidies in the pricing basis, premiums are differentiated, where permitted, for example by product, age, gender and smoker status. The policy terms and conditions and the disclosure requirements contained in insurance applications are designed to mitigate the risk arising from non-standard and unpredictable risks that may result in severe financial loss.

In the life annuity business, the most significant insurance risk is continued medical advances and improvement in social conditions that lead to increases in longevity. Annuitant mortality assumptions include allowance for future mortality improvements.

In addition to the specific risks listed above, the Group is exposed to policyholder behavior and expense risks. Policyholder behavior risk is mitigated by product designs that match revenue and expenses associated with the contract as closely as possible. Expense risk is mitigated by careful control of expenses and by regular expense analyses and allocation exercises.

Certain life insurance contracts contain guarantees for which liabilities have been recorded for additional benefits and minimum guarantees. These arise primarily in the subsidiary Zurich American Life Insurance Company (ZALICO) (formerly known as KILICO) which in the past wrote variable annuity contracts that provide policyholders with certain guarantees related to minimum death and income benefits. After 2001, ZALICO no longer issued new policies with such features. The Group has a dynamic hedging strategy to manage its economic exposure and reduce the volatility associated with its closed book of variable annuities products within its U.S. life business. New Life products developed with financial guarantees are subject to review and approval by the Group-level product approval committee.

The Group defines concentration risk in the Global Life business as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations. Concentration risk for a life insurer may arise with respect to investments in a geographical area, economic sector, or individual issuers, or due to a concentration of business written within a geographical area, of a policy type, or of underlying risks covered.

Zurich is exposed to two main types of concentration risk in its Global Life business:

- From a market risk perspective, interest rate guarantees in Germany and Switzerland expose Zurich to financial losses that may arise as a result of adverse movements in financial markets. The Group also wrote a small book of variable annuity business in the U.S. with minimum guaranteed death benefits, but ceased writing new business in 2012. The management of these guarantees is a combination of asset-liability matching and hedging; see the "Market risk" section in the Risk review.
- From an insurance risk perspective, the main factors that would affect concentration risk include mortality risk, morbidity risk, longevity risk, policyholder behavior risk (lapse, anti-selection) and expense risk. There is diversification across geographical regions, lines of business and even across the different insurance risk factors such that Zurich is not exposed to significant concentrations of insurance risk.

Table 3 shows the Group's concentration of risk within the life business by region and line of business based on reserves for life Insurance on a net basis. The Group's exposure to life insurance risks varies significantly by geographic region and line of business and may change over time.

See note 8 of the Consolidated financial statements for additional information on reserves for insurance contracts.

Sensitivities analysis for life insurance risk

The Group reports sensitivities for the Global Life business on Embedded Value and New Business Value to changes in economic and operating risk factors. The operating factors include discontinuance rates, expenses, mortality and morbidity. The embedded value methodology adopted by the Group is based on a market-consistent approach to allow explicitly for market risks. See the "Embedded value report" for more information on the sensitivities for the Global Life business to economic and operating risk factors.

Risk review *continued*

Table 3

Reserves, net of reinsurance, by region

in USD millions, as of December 31

	Unit-linked insurance contracts		Other life insurance liabilities		Total reserves	
	2012	2011	**2012**	2011	**2012**	2011
Global Life						
North America	627	525	5,307	5,214	5,934	5,739
Latin America	10,256	10,165	5,204	3,400	15,460	13,565
Europe	47,979	44,218	80,468	75,763	128,447	119,981
United Kingdom	28,719	27,064	5,200	5,056	33,919	32,120
Germany	11,095	9,166	43,084	40,004	54,179	49,170
Switzerland	708	639	19,741	18,672	20,450	19,311
Ireland	1,731	880	1,727	1,519	3,458	2,399
Spain	4,808	5,416	5,981	6,007	10,789	11,423
Rest of Europe	918	1,053	4,734	4,505	5,652	5,559
Asia-Pacific and Middle East	3,371	2,420	3,035	3,005	6,406	5,424
Other	10	9	284	273	294	281
Eliminations	–	–	4	2	4	2
Subtotal	**62,243**	57,337	**94,302**	87,656	**156,545**	144,993
Other segments[1]	11,874	11,507	4,915	6,520	16,789	18,027
Total	**74,117**	68,844	**99,217**	94,176	**173,334**	163,020

[1] See note 29 of the Consolidated financial statements for additional information on the Group's segments.

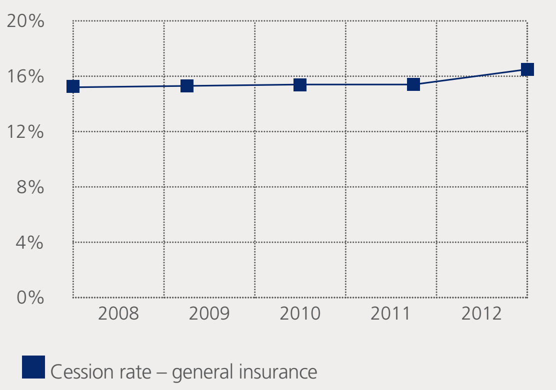
Reinsurance for general insurance and life insurance

The Group's objectives for purchasing reinsurance are to provide market-leading capacity for customers while protecting the balance sheet and optimizing the Group's capital efficiency. The Group follows a centralized purchasing strategy for both segments, General Insurance and Global Life, and bundles programs where appropriate to benefit from diversification and economies of scale. These efforts for General Insurance have led to a decreasing expenditure for treaty reinsurance while growth in the General Insurance Global Corporate business has increased premium cessions to captives and co-reinsurers, resulting in an overall stable cession rate.

Due to its strong balance sheet, Zurich is able to structure and align its reinsurance programs to achieve an optimum risk/reward ratio. Zurich has managed its central reinsurance purchasing according to these principles for General Insurance since 2003 and for Global Life since 2008. The Group is therefore able to manage its risks to retain a significant and stable portion of premium, as shown in the charts below.

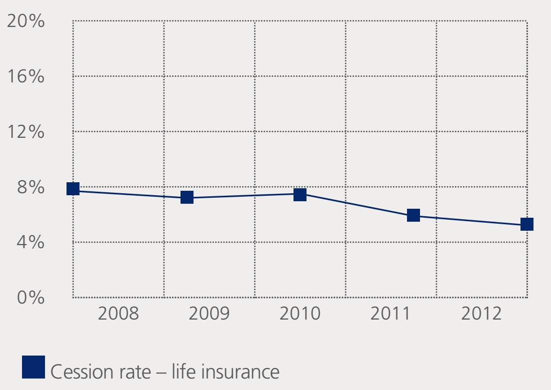
Ceded premium – trend

(% of general insurance gross written premium ceded to reinsurers)



Ceded premium – trend

(% of life insurance gross written premium ceded to reinsurers)



The Group continues to use traditional reinsurance markets and other alternatives, such as catastrophe bonds, to protect against extreme single events and increased frequency of events. The Group is able to use its global reach in particular for catastrophe protection, where it has in place a combination of per event and annual aggregate covers, which protects the Group's business both per event and by region, and also for multiple events across regions. This helps to reduce the risks posed by the frequency of catastrophes, as well as their severity.

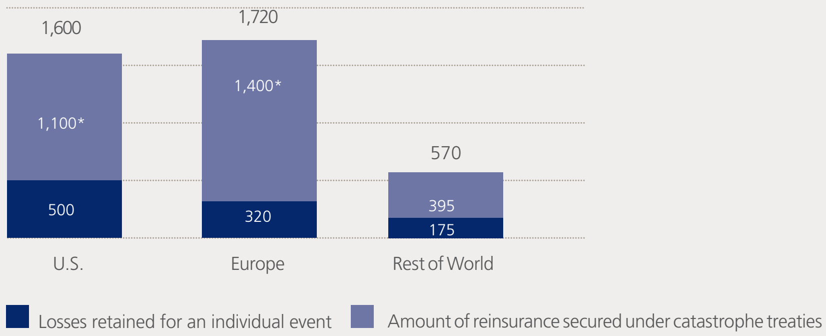
The Group uses reinsurance to manage risk to unusually severe or unusually frequent events, as illustrated on the following page, through the main in-force reinsurance covers as of December 31, 2012 for natural catastrophe events. The Group participates in the underlying risks through its retention and through its participation in the excess layers. The contracts are on a risk-occurrence basis except the aggregate catastrophe cover which operates on an annual aggregate basis. In addition to these covers, the Group has per risk programs, local catastrophe covers, bilateral risk swaps and catastrophe bonds in place. These covers are reviewed continuously and are subject to change going forward. The current covers are placed annually: January 1 for the U.S. Program and the Global Aggregate Catastrophe Cover; April 1 for the European Program and July 1 for the Rest of the World Program.

In 2012, the only major natural catastrophe event to affect the Group was Storm Sandy; the Group's reinsurance covers allowed Zurich to limit the pre-tax net impact to USD 756 million. (This figure includes the reinstatement premium payable to reinsurers and the impact from Farmers Re.)

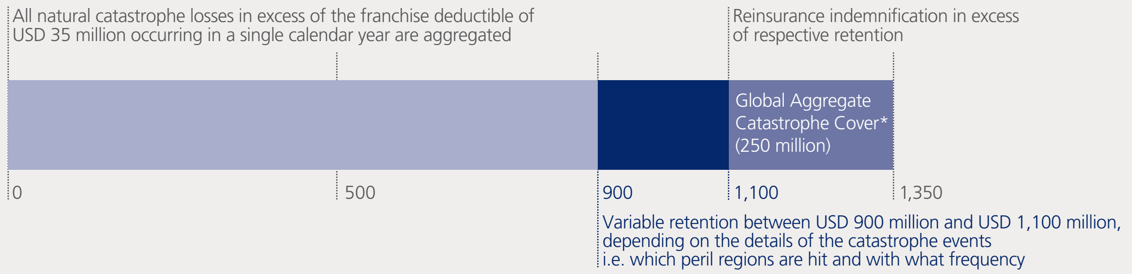
Risk review *continued*

Reinsurance for natural catastrophes – unusually severe natural catastrophe events
(in USD millions, as of December 31, 2012)

Notes:
- Structures are in place (via reinstatements) to cover 2 significant individual events per region.
- USD 1,100 million reinsurance protection for U.S. includes a bilateral risk swap of USD 142 million.



Reinsurance for natural catastrophes – unusually frequent natural catastrophe events
(in USD millions, as of December 31, 2012)



*On a co-participation basis, as summarized below:

U.S. Catastrophe Treaty (USD 1,100 million)	Co-participation varies by layer and is approximately 36% overall.
European Catastrophe Treaty (USD 1,400 million)	Co-participation varies by layer and is approximately 39% overall.
Global Aggregate Catastrophe Cover (USD 250 million)	Cover operates on an annual aggregate basis. Co-participation is 30%.

Market risk

Market risk is the risk associated with the Group's balance sheet positions where the value or cash flow depends on financial markets. Fluctuating risk drivers resulting in market risk include:

- Equity market prices
- Real estate market prices
- Interest rates and credit spreads
- Currency exchange rates

The Group manages the market risk of assets relative to liabilities on an economic total balance sheet basis. It strives to maximize the economic risk-adjusted excess return of assets relative to the liability benchmark taking into account the Group's risk tolerance as well as local regulatory constraints.

The Group has policies and limits to manage market risk. The Group aligns its strategic asset allocation to its risk-taking capacity. The Group centralizes management of certain asset classes to control aggregation of risk, and provides a consistent approach to constructing portfolios and selecting external asset managers. The Group also diversifies portfolios, investments and asset managers. The Group regularly measures and manages market risk exposure. The Group has established limits on concentration in investments by single issuers and certain asset classes as well as deviations of asset interest rate sensitivities from liability interest rate sensitivities, and the Group limits investments that are illiquid.

The Group Balance Sheet Committee reviews and recommends the Group's capital allocation to market risk, while the Asset/Liability Management and Investment Committee reviews and monitors the Group's strategic asset allocation and tactical boundaries and monitors the Group's asset/liability exposure. The Group oversees the activities of local Asset/Liability Management and Investment Committees and regularly assesses market risks both at a Group and at a local business level. Risk assessment includes quantification of the contributions to financial market risk from major risk drivers. The economic effect of potential extreme market moves is regularly examined and considered when setting the asset allocation.

Risk assessment reviews include the analysis of the management of interest rate risk for each major maturity bucket and adherence to the aggregated positions with risk limits.

The Group applies processes to manage market risk scenarios to test and analyze market hotspots, and risk mitigation actions are taken if necessary to manage fluctuations affecting asset/liability management and risk-based capital.

The Group uses derivative financial instruments to limit market risks arising from changes in currency exchange rates, interest rates, equity prices and credit quality of assets and liabilities and commitments to third parties. The Group enters into derivative financial instruments mostly for economic hedging purposes and, in limited circumstances, the instruments may also meet the definition of an effective hedge for accounting purposes. The latter include cross-currency interest rate swaps in fair value hedges and cross-currency swaps in cash flow hedges of Zurich's borrowings, in order to mitigate exposure to foreign currency and interest rate risk. In compliance with Swiss insurance regulation, the Group's policy prohibits speculative trading in derivatives, meaning a pattern of "in and out" activity without reference to an underlying position. Derivatives are complex financial transactions; therefore, the Group addresses the risks arising from derivatives through a stringent policy that requires approval of a derivative program before transactions are initiated, and by subsequent regular monitoring by Group Risk Management of open positions and annual reviews of derivative programs.

For more information on the Group's investment result, including impairments and the treatment of selected financial instruments, see note 6 of the Consolidated financial statements. For more information on derivative financial instruments and hedge accounting, see note 7 of the Consolidated financial statements.

Risk from equity securities and real estate

The Group is exposed to various risks resulting from price fluctuations on equity securities and real estate. Risks arising from equity securities and real estate could affect the Group's liquidity, reported income, surplus and regulatory capital position. The exposure to equity risk includes common stocks, including equity unit trusts; common stock portfolios backing participating-with-profit policyholder contracts, and equities held for employee benefit plans. The exposure to real estate risk includes direct holdings in real estate, listed real estate company shares and funds, as well as real estate debt securities such as commercial and residential mortgages, commercial and residential mortgage-backed securities

Risk review *continued*

and mezzanine debt. Returns on unit-linked contracts, whether classified as insurance or investment contracts, may be exposed to risks from equity and real estate, but these risks are borne by policyholders. However, the Group is indirectly exposed to market movements from unit-linked contracts both with respect to earnings and with respect to economic capital. Market movements impact the amount of fee income earned when the fee income level is dependent on the valuation of the asset base. Therefore, the value of in-force business for unit-linked business can be negatively impacted by adverse movements in equity and real estate markets.

The Group manages its risks from equity securities and real estate as part of the overall investment risk management process, and applies limits as expressed in policies and guidelines. Specifically, Zurich has limits for holdings in equities, real estate and alternative investments.

For additional information on equity securities and real estate held for investment, see note 6 of the Consolidated financial statements.

Risk from interest rate and credit spread

Interest rate risk is the risk of loss resulting from changes in interest rates, including changes in the shape of yield curves. The Group is exposed to interest rate risk including from debt securities, reserves for insurance contracts, liabilities for investment contracts, employee benefit plans and loans and receivables. Changes in interest rates affect the Group's held-to-maturity floating-rate debt securities and unhedged floating-rate borrowings through fluctuations in interest income and interest expense. Changes in interest rates affect the Group's held-for-trading debt securities and fair value hedged borrowings through periodic recognition of changes in their fair values through the income statement. Changes in interest rates affect the Group's available-for-sale debt securities through periodic recognition of changes in their fair values through shareholders' equity. The Group also manages credit spread risk, which describes the sensitivity of the values of assets and liabilities due to changes in the level or the volatility of credit spreads over the risk-free interest rate yield curves.

Returns on unit-linked contracts, whether classified as insurance or investment contracts, are at the risk of the policyholder; however, the Group is exposed to fluctuations in interest rates in so far as they impact the amount of fee income earned if the fee income level is dependent on the valuation of the asset base.

Risk management initiatives during 2012

Throughout the year, the Group closely monitored the investment risk taken in a challenging financial market environment, and several actions were taken in order to reduce risks from equities, interest rates, and credit spreads. On equity risk, macro hedges have been implemented to reduce the tail risk to Asian, European and U.S. markets. On interest rate risk, duration mismatch has been further reduced through duration lengthening, in particular in Europe.

In addition, changes in the economic, legal and regulatory environment in Germany have been reflected in the modeling and contributed to the significant reduction in interest rate exposures from the German life business. These changes are driving the movements in the interest rate and credit spread sensitivities from the euro (EUR) in tables 5.a, 5.b, 11.a and 11.b.

Analysis of market risk sensitivities

Basis of presentation – General Insurance and rest of the businesses

The basis of the presentation below is an economic valuation represented by the fair value for Group investments, IFRS insurance liabilities discounted at risk-free market rates (the Group describes risk-free market rates as swap rates) to reflect the present value of insurance liability cash flows and other liabilities, for example own debt. In the sensitivities, own debt does not include subordinated debt, which Zurich considers available to protect policyholders in a worst-case situation.

Tables 4.a, 4.b, 6.a and 6.b show the estimated economic market risk sensitivities of Group investments, including real estate for own use, liabilities, including insurance and financial liabilities, and the net impact for General Insurance and the rest of the businesses. Positive values represent an increase of the balance, whereas values in parentheses represent a decrease of the balance. Increases in the value of liabilities and decreases in the value of assets represent an economic risk for the Group. The net impact is the difference between the impact on Group investments and liabilities. The net impact represents the economic risk the Group faces related to changes in market risk factors. This is in line with management's monitoring of the Group's investment and liabilities base. In order to limit the economic impact of interest rate, equity and real estate risk, Zurich has limits on holdings in real assets and limits on deviations of asset interest rate sensitivities from liability interest rate sensitivities.

For determining the sensitivities, investments and liabilities are fully re-valued in the given scenarios. Each instrument is re-valued separately taking the relevant product features into account. Non-linear effects, where they exist, are fully reflected in the model. The sensitivities are shown after tax. They do not include the impact of Group-internal transactions.

Tables 6.a and 6.b on sensitivities for the rest of the businesses include Farmers, Other Operating Businesses and Non-Core Businesses. Where Non-Core Businesses includes business with life insurance characteristics, the analysis is based on market-consistent embedded value market risk sensitivities. See the "Embedded value report" for more details on the market risk sensitivities specifications.

Limitations of the analysis:

- The sensitivity analysis does not take into account actions that might be taken to mitigate losses, as Zurich uses an active strategy to manage these risks. This strategy may involve changing the asset allocation, for example through selling and buying assets.
- The sensitivities show the effects of a change of certain risk factors, while other assumptions remain unchanged.
- The interest rate scenarios assume a parallel shift of all interest rates in the respective currencies. They do not take into account the possibility that interest rate changes might differ by rating class; these are disclosed separately as credit spread risk sensitivities.
- The equity market scenarios assume a concurrent movement of all stoarkets.
- The sensitivities do not indicate a probability of such events occurring in the future. They do not necessarily represent the Group's view of expected future market changes. In addition to the sensitivities, management uses stress scenarios to assess the impact of more severe market movements on the Group's financial condition. For more information on stress scenarios, see table "Sensivities for the Z-ECM ratio (unaudited)" on page 159.
- The sensitivity analysis is based on economic net assets, and not on IFRS equity or on IFRS profit and loss.
- The sensitivity analysis is calculated after tax; the Group effective tax rate is assumed to be 24.7 percent for 2012. For 2011, it is calculated at 24.1 percent. For the Non-Core Businesses with life insurance characteristics, specific tax rates have been applied.

Basis of presentation – Global Life

Tables 5.a and 5.b show the estimated economic sensitivity of the Embedded Value of the Global Life business to financial market movements. In modeling these exposures, where appropriate, allowance has been made for dynamic actions that would be taken by management or by policyholders. For contracts with financial options and guarantees, such as some participating business, movements in financial markets can change the nature and value of these benefits. The dynamics of these liabilities are captured so that this exposure is quantified, monitored, managed and where appropriate, mitigated.

Limitations of the analysis:

- The sensitivities show the effects of a change in certain risk factors, while other assumptions remain unchanged, except where they are directly affected by the revised conditions.
- The market risk scenarios assume a concurrent movement of all stock markets and an unrelated parallel shift of all interest rates in different currencies.
- The assumptions on policyholder behavior, such as lapsing of policies, included in the sensitivity analysis for Global Life may be different from actual behavior. Therefore, the actual impact may deviate from the analysis.

For more information, see the "Embedded value report."

Analysis of economic sensitivities for interest rate risk

Tables 4.a through 6.b show the estimated impacts of a 100 basis point increase/decrease in yield curves of the major currencies U.S. dollar (USD), euro (EUR), British pound (GBP), Swiss franc (CHF) and "other currencies" after consideration of hedges in place, as of December 31, 2012 and 2011, respectively.

Risk review *continued*

Economic interest rate sensitivities for the General Insurance business – current period

Table 4.a

in USD millions, as of December 31, 2012	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Group investments	(1,314)	(578)	(352)	(341)	(186)	**(2,772)**
Liabilities	(1,146)	(411)	(368)	(364)	(109)	**(2,397)**
Net impact before tax	(168)	(167)	16	22	(78)	**(375)**
Tax impact	42	41	(4)	(6)	19	**93**
Net impact after tax	(127)	(126)	12	17	(59)	**(282)**
100 basis points decrease in the interest rate yield curves						
Group investments	1,005	490	351	237	184	**2,266**
Liabilities	1,049	342	391	334	111	**2,228**
Net impact before tax	(44)	147	(41)	(97)	73	**38**
Tax impact	11	(36)	10	24	(18)	**(9)**
Net impact after tax	(33)	111	(31)	(73)	55	**29**

Economic interest rate sensitivities for the General Insurance business – prior period

Table 4.b

in USD millions, as of December 31, 2011	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Group investments	(1,082)	(469)	(302)	(318)	(160)	**(2,331)**
Liabilities	(1,141)	(361)	(348)	(352)	(100)	**(2,301)**
Net impact before tax	59	(108)	45	34	(61)	**(30)**
Tax impact	(14)	26	(11)	(8)	15	**7**
Net impact after tax	44	(82)	34	26	(46)	**(23)**
100 basis points decrease in the interest rate yield curves						
Group investments	877	449	266	195	149	**1,936**
Liabilities	999	337	339	297	99	**2,070**
Net impact before tax	(122)	112	(73)	(102)	51	**(134)**
Tax impact	30	(27)	18	25	(12)	**32**
Net impact after tax	(93)	85	(55)	(77)	39	**(102)**

Economic interest rate sensitivities for the Global Life business – current period

Table 5.a

in USD millions, as of December 31, 2012	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Total impact on Embedded Value	(130)	(165)	(98)	142	(100)	**(350)**
100 basis points decrease in the interest rate yield curves						
Total impact on Embedded Value	61	365	111	(140)	68	**465**

Economic interest rate sensitivities for the Global Life business – prior period

Table 5.b

in USD millions, as of December 31, 2011	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Total impact on Embedded Value	(79)	520	(17)	255	(100)	**578**
100 basis points decrease in the interest rate yield curves						
Total impact on Embedded Value	(9)	(1,095)	(19)	(309)	83	**(1,349)**

Economic interest rate sensitivities for the rest of the businesses – current period

Table 6.a

in USD millions, as of December 31, 2012	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Group investments	(831)	(148)	(22)	(36)	(1)	**(1,037)**
Liabilities	(585)	(166)	(28)	(117)	–	**(898)**
Net impact before tax	(246)	19	7	82	(1)	**(139)**
Tax impact	66	(5)	(2)	(20)	–	**39**
Net impact after tax	(180)	14	5	61	–	**(100)**
100 basis points decrease in the interest rate yield curves						
Group investments	895	111	22	26	1	**1,055**
Liabilities	643	140	28	34	–	**845**
Net impact before tax	252	(29)	(6)	(8)	1	**210**
Tax impact	(64)	7	2	2	–	**(53)**
Net impact after tax	189	(22)	(5)	(6)	–	**157**

Economic interest rate sensitivities for the rest of the businesses – prior period

Table 6.b

in USD millions, as of December 31, 2011	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Group investments	(731)	(116)	(28)	(5)	(1)	**(882)**
Liabilities	(588)	(5)	(9)	(3)	–	**(605)**
Net impact before tax	(143)	(111)	(20)	(2)	(1)	**(277)**
Tax impact	34	27	5	1	–	**67**
Net impact after tax	(109)	(84)	(15)	(2)	(1)	**(210)**
100 basis points decrease in the interest rate yield curves						
Group investments	896	106	22	6	1	**1,031**
Liabilities	759	6	8	2	–	**774**
Net impact before tax	137	100	14	5	1	**256**
Tax impact	(32)	(24)	(3)	(1)	–	**(61)**
Net impact after tax	105	76	11	4	1	**195**

Risk review *continued*

Analysis of economic sensitivities for equity risk

Tables 7 through 9 show the estimated impacts from a 10 percent decline in stock markets, after consideration of hedges in place, as of December 31, 2012 and 2011, respectively.

Economic equity price sensitivities for the General Insurance business

Table 7

in USD millions, as of December 31	2012	2011
10% decline in stock markets		
Group investments	(456)	(473)
Liabilities	–	–
Net impact before tax	(456)	(473)
Tax impact	113	115
Net impact after tax	(343)	(359)

Economic equity price sensitivities for the Global Life business

Table 8

in USD millions, as of December 31	2012	2011
10% decline in stock markets		
Total impact on Embedded Value	(246)	(298)

Economic equity price sensitivities for the rest of the businesses

Table 9

in USD millions, as of December 31	2012	2011
10% decline in stock markets		
Group investments	(171)	(117)
Liabilities	34	57
Net impact before tax	(205)	(174)
Tax impact	49	42
Net impact after tax	(156)	(132)

Analysis of economic sensitivities for credit spread risk

Tables 10.a through 12.b show the estimated impacts from a 100 basis points increase in corporate credit spreads, as of December 31, 2012 and 2011, respectively. Credit spread risk is modeled on Group investments only, and does not impact the liabilities. The Group uses a risk-free rate for the valuation of its liabilities.

Economic credit spread sensitivities for the General Insurance business – current period

Table 10.a

in USD millions, as of December 31, 2012	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in credit spreads						
Net impact before tax	(939)	(278)	(198)	(160)	(102)	**(1,677)**
Tax impact	232	69	49	39	25	**414**
Net impact after tax	(707)	(209)	(149)	(120)	(77)	**(1,262)**

Economic credit spread sensitivities for the General Insurance business – prior period

Table 10.b

in USD millions, as of December 31, 2011	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in credit spreads						
Net impact before tax	(964)	(334)	(172)	(143)	(132)	**(1,744)**
Tax impact	233	81	42	35	32	**422**
Net impact after tax	(731)	(253)	(131)	(108)	(100)	**(1,322)**

Table 11.a

Economic credit spread sensitivities for the Global Life business – current period

in USD millions, as of December 31, 2012	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in credit spreads						
Total Impact on Embedded Value	(189)	(282)	(100)	(250)	(130)	**(951)**

Table 11.b

Economic credit spread sensitivities for the Global Life business – prior period

in USD millions, as of December 31, 2011	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in credit spreads						
Total impact on Embedded Value	(191)	(612)	(113)	(224)	(88)	**(1,229)**

Table 12.a

Economic credit spread sensitivities for the rest of the businesses – current period

in USD millions, as of December 31, 2012	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in credit spreads						
Net impact before tax	(320)	(74)	2	(3)	–	**(396)**
Tax impact	89	18	–	1	–	**108**
Net impact after tax	(231)	(56)	1	(3)	–	**(288)**

Table 12.b

Economic credit spread sensitivities for the rest of the businesses – prior period

in USD millions, as of December 31, 2011	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in credit spreads						
Net impact before tax	(521)	(17)	(11)	(3)	(1)	**(553)**
Tax impact	157	4	3	1	–	**164**
Net impact after tax	(364)	(13)	(8)	(2)	(1)	**(388)**

Risk review *continued*

Currency risk

Currency risk is the risk of loss resulting from changes in exchange rates. The Group operates internationally and therefore is exposed to the financial impact arising from changes in the exchange rates of various currencies. The Group's presentation currency is the U.S. dollar, but its assets, liabilities, income and expenses are denominated in many currencies, with significant amounts in the euro, Swiss franc, British pound, as well as the U.S. dollar.

On local balance sheets there is the risk that a currency mismatch may lead to fluctuations in a balance sheet's net asset value, either through income or directly through equity. The Group manages this risk by matching foreign currency positions on local balance sheets within prescribed limits. Residual local mismatches are reported centrally in order to make use of the netting effect across the Group. Zurich then hedges residual mismatches from local balance sheets through a central balance sheet within an established limit. The monetary currency risk exposure on local balance sheets is considered immaterial.

Because the Group has chosen the U.S. dollar as its presentation currency, differences arise when functional currencies are translated into the presentation currency. In December 2012, the Group started to apply net investment hedge accounting in order to protect against the effects of changes in certain exchange rates on selected net investments. The Group does not take speculative positions on foreign currency market movements. Using constant exchange rates from one year to the next, the Group's 2012 net income attributable to shareholders would have been higher by USD 45 million (applying 2011 exchange rates to the 2012 result). In 2011 the result would have been lower by USD 78 million (applying 2010 exchange rates to the 2011 results).

Table 13 shows the sensitivity of the total IFRS equity to changes in exchange rates for the main functional currencies to which the Group is exposed. Positive values represent an increase in the value of the Group's total equity. The sensitivity analysis does not take into account management actions that might be taken to mitigate such changes. The sensitivities show the effects of a change of the exchange rates only, while other assumptions remain unchanged. The sensitivities do not indicate a probability of such events occurring in the future. They do not necessarily represent Zurich's view of expected future market changes. While table 13 shows the effect of a 10 percent increase in currency exchange rates, a decrease of 10 percent would have the converse effect.

See notes 1, 3 and 7 of the Consolidated financial statements for additional information on foreign currency translation and transactions.

Table 13

Sensitivity of the Group's total IFRS equity to exchange rate fluctuations

in USD millions, as of December 31	**2012**	2011[1]
10% increase in		
EUR/USD rate	877	769
GPB/USD rate	389	354
CHF/USD rate	(253)	(309)
Other currencies/USD rates	774	752

[1] Restated as set out in note 1 of the Consolidated financial statements.

Credit risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations. The Group's exposure to credit risk is derived from the following main categories of assets:

- Cash and cash equivalents
- Debt securities
- Reinsurance assets
- Mortgage loans and mortgage loans given as collateral
- Other loans
- Receivables
- Derivatives

The Group manages individual exposures as well as credit risk concentrations. The Group's objective in managing credit risk exposures is to maintain them within parameters that reflect the Group's strategic objectives and risk tolerance. Sources of credit risk are assessed and monitored, and the Group has policies to manage the specific risks within the various subcategories of credit risk. To assess counterparty credit risk, the Group uses the ratings assigned by external rating agencies, qualified third parties, such as asset managers, and internal rating assessments. When there is a difference among external rating agencies, the Group assesses the reasons for the inconsistencies and applies the lowest of the respective ratings unless other indicators of credit quality justify the assignment of alternative internal credit ratings. The Group maintains counterparty credit risk databases, which record external and internal sources of credit intelligence.

The Group regularly tests and analyzes credit risk scenarios and prepares possible contingency measures, which may be implemented should the credit risk environment worsen. Zurich adjusts the scenarios if market conditions warrant.

Although the Group actively uses collateral to mitigate credit risks, the principle is nevertheless to manage the underlying credit risks independently from the collateral. The Group has limits and quality criteria to identify acceptable letter of credit providers. Letters of credit enable Zurich to limit the risks embedded in reinsurance captives, deductibles, trade credit and surety.

Macro review of the credit risk environment

During 2012, the European government-debt crisis led to ongoing downgrades of governments and government-related financial institutions. Spain and Italy and their financial institutions were downgraded by several notches. The negative trend spilled over to stronger governments such as France, which was downgraded by Moody's in November and the UK, which was placed on watch negative. Nevertheless, credit risk pressures have diminished significantly as reflected in improved implied ratings for sovereign debt markets. Zurich continues to assess the potential effect of remaining uncertainties, as actions by policymakers are the main determinants of credit market valuations for governments and related institutions.

Credit risk concentration

The Group regularly monitors and limits credit exposures by individual counterparty and related counterparties by the aggregated exposure across various types of credit risk for that counterparty. The Group's exposure to counterparties' parent companies and subsidiaries across sources of credit risk is aggregated to include reinsurance assets, investments, certain insurance products and derivatives. Best estimates, based on statistical data and own assessments, are used to assign loss-given-default percentages and loss dependency factors reflecting, for example, double default events. The aggregated exposure information is compared with the Group's credit limits. The limits vary based on the underlying rating category of the counterparty. There was no material exposure in excess of the Group's limits for counterparty aggregation as of December 31, 2012 and December 31, 2011, respectively. The Chief Risk Officer routinely reports the largest exposures to the Risk Committee of the Board.

The maximum exposure to credit risk consists mainly of on-balance sheet exposures. Off-balance sheet exposures are primarily related to collateral, such as letters of credit, used to protect the underlying credit exposures on the balance sheet. The Group also has off-balance sheet exposures related to undrawn loan commitments of USD 20 million and USD 57 million as of December 31, 2012 and 2011, respectively. See note 25 of the Consolidated financial statements for undrawn loan commitments.

Risk review *continued*

Credit risk related to cash and cash equivalents

The Group has significant exposure to cash and cash equivalents across the globe. In order to mitigate concentration, settlement and operational risks related to cash and cash equivalents, the Group limits the maximum cash amount that can be deposited with a single counterparty. In addition, the Group maintains an authorized list of acceptable cash counterparties based on current ratings and outlook, taking the analysis of fundamentals and market indicators into account.

Cash and cash equivalents amounted to USD 9.1 billion as of December 31, 2012 and USD 8.9 billion as of December 31, 2011. The risk-weighted average rating of the overall cash portfolio has decreased from "A+" to "A" in 2012 due to downgrades of several large financial institutions. 60 percent of the total was with the ten largest global banks, whose average rating was "A+" as of December 31, 2012 and December 31, 2011, respectively.

Credit risk related to debt securities

The Group is exposed to credit risk from third party counterparties where the Group holds securities issued by those entities. Table 14 shows the credit risk exposure on debt securities, by issuer credit rating.

Table 14

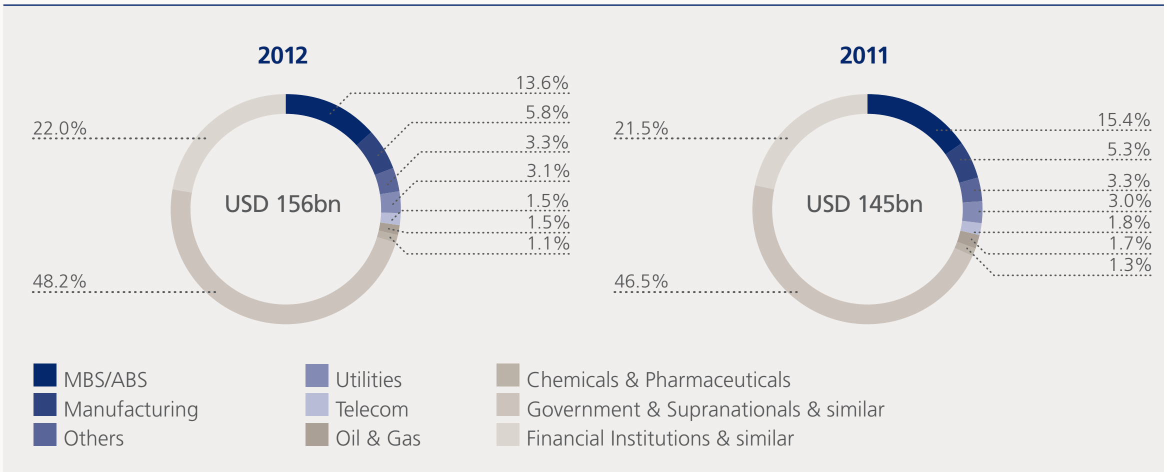
Debt securities by rating of issuer

as of December 31	2012		2011	
	USD millions	**% of total**	USD millions	% of total
Rating				
AAA	48,590	31.2%	54,951	38.0%
AA	48,046	30.9%	37,395	25.9%
A	26,982	17.3%	35,470	24.6%
BBB	29,034	18.7%	13,626	9.4%
BB and below	2,477	1.6%	2,519	1.7%
Unrated	465	0.3%	551	0.4%
Total	**155,594**	**100.0%**	**144,511**	**100.0%**

As of December 31, 2012, investment grade securities comprise 98.1 percent of the Group's debt securities, and 31.2 percent were rated "AAA." The downgrades of several Eurozone governments and related entities caused breaches of internal rating category limits, which were managed as circumstances allowed. As of December 31, 2011, investment grade securities comprised 97.9 percent of debt securities, and 38.0 percent were rated "AAA." The Group's investment policy prohibits speculative grade investments, unless specifically authorized and under exceptional circumstances. Where the Group identifies investments expected to be downgraded to below investment grade, it implements appropriate corrective actions.

The Group measures the average issuer credit rating both with a linear and a risk-weighted scale. Despite the ongoing de-risking of the fixed income portfolio, the risk-weighted average issuer credit rating of the Group's debt securities portfolio is "A–/BBB+" (2011: "A+"). This is mainly due to ongoing downgrades of governments and government-related financial institutions in 2012 and the increase in value of the affected investments. Based on the linear scale, the average rating is "AA–"(2011: "AA") and therefore in line with the "AA–" target rating as set out in the Group's risk policy.

Debt securities – credit risk concentration by industry
(%, as of December 31)



As of December 31, 2012 the largest concentration in the Group's debt securities portfolio is in government and supranational debt securities at 48.2 percent. A total of USD 40.3 billion or 49.5 percent of the non-government and non-supranational debt securities are secured. As of December 31, 2011, 46.6 percent of the Group's debt portfolio was invested in governments and supranationals and a total of USD 38.7 billion or 50.1 percent of the non-government and non-supranational debt securities were secured.

The Group's debt exposure to Eurozone government & supranationals & similar

Table 15

in USD millions, as of December 31	2012	2011
Germany	9,282	8,150
France	4,638	3,895
Austria	2,892	2,318
Belgium	1,959	1,585
Netherlands	2,122	1,711
Peripheral	11,301	10,607
Greece	–	8
Ireland	243	310
Italy	6,646	5,330
Portugal	531	424
Spain	3,881	4,536
Rest of Eurozone	974	607
Eurozone Supranationals & similar	1,058	782
Total	**34,226**	**29,656**

As shown in table 15, the Group had debt exposure to Eurozone nations of USD 34.2 billion and USD 29.7 billion as of December 31, 2012 and 2011, respectively. Exposure to Greece, Ireland, Italy, Portugal and Spain amounted to USD 11.3 billion and USD 10.6 billion as of December 31, 2012 and 2011, respectively, with the increase primarily driven by tightening credit spreads. In line with the Group's risk strategy, the Group capped cross-border investments in governments in the peripheral countries of Europe, while retaining in those countries government exposures that back underlying business. In addition to the debt exposure, the Group had sovereign loan exposure of USD 4.7 billion and USD 4.9 billion to Germany as of December 31, 2012 and 2011, respectively.

The second largest concentration in the Group's debt securities portfolio is to financial institutions (including banks), at 22.0 percent, of which 48.7 percent is secured. In response to the European government-debt crisis, the Group identified and selectively reduced unsecured and subordinated credit exposure issued by banks with weak credit profiles, and credit exposure to banks supported by weaker governments.

Risk review *continued*

The third largest concentration in the Group's debt securities portfolio is to structured finance securities (mortgage backed securities (MBS)/asset backed securities (ABS) and similar). Although credit risks of the underlying securities are diverse in nature, the Group also considers macro impacts that may affect structured finance sub-categories (e.g. auto or credit card ABS's) in its credit assessments. Structured finance exposures are assessed on a look-through basis prior to acquisition and not merely on the strength of prevailing credit ratings or credit profiles.

Credit risk related to reinsurance assets

As part of its overall risk management strategy, the Group cedes insurance risk through proportional, non-proportional and specific risk reinsurance treaties. While these cessions mitigate insurance risk, the recoverables from reinsurers and receivables arising from ceded reinsurance expose the Group to credit risk.

The Group's Corporate Reinsurance Security Committee manages the credit quality of cessions and reinsurance assets. The Group typically cedes new business to authorized reinsurers with a minimum rating of "A–." 58 percent and 57 percent of the business ceded to reinsurers that fall below "A–" or are not rated is collateralized, as of December 31, 2012 and 2011, respectively. Of these percentages, 50 percent and 52 percent are ceded to captive insurance companies, in 2012 and 2011, respectively.

Reinsurance assets include reinsurance recoverables of USD 19.7 billion and USD 19.5 billion as of December 31, 2012 and 2011, respectively, which are the reinsurers' share of reserves for insurance contracts, and receivables arising from ceded reinsurance, gross of allowance for impairment, of USD 1.1 billion and USD 1.2 billion as of December 31, 2012 and 2011, respectively. Reserves for potentially uncollectible amounts of reinsurance assets amount to USD 206 million as of December 31, 2012 and 2011. The Group's policy on impairment charges takes into account both specific charges for known situations (e.g. financial distress or litigation) and a general, prudent provision for unanticipated impairments.

Reinsurance assets in table 16 are shown before taking into account collateral such as cash or letters of credit from banks rated at least "A," which can be converted into cash and deposits received under ceded reinsurance contracts.

Compared to December 31, 2011, collateral decreased by USD 100 million to USD 8.1 billion.

The risk-weighted average credit quality of reinsurance assets (including receivables, but after deduction of collateral) was "A" as of December 31, 2012 and 2011. Credit factors to determine the risk-weighted average credit quality of reinsurance assets are based on historical insurance impairment statistics, consistent with the prior year. For credit risk assessment purposes, collateral has been taken into account at nominal value as an approximation for fair value. For collateral, the Group applies minimum requirements, such as a minimum rating for the issuers of letters of credit and guarantees, and for pledged assets a minimum coverage ratio of 100 percent.

Table 16 shows reinsurance premiums ceded and reinsurance assets split by rating.

Table 16

Reinsurance premiums ceded and reinsurance assets by rating of reinsurer and captive

as of December 31	**2012**				2011			
	Premiums ceded		**Reinsurance assets**		Premiums ceded		Reinsurance assets	
	USD millions	**% of total**	**USD millions**	**% of total**	USD millions	% of total	USD millions	% of total
Rating								
AAA	77	1.2%	42	0.2%	75	1.1%	91	0.4%
AA	1,434	22.1%	8,852	42.6%	1,109	16.9%	6,631	32.0%
A	2,279	35.2%	6,959	33.5%	3,260	49.8%	9,527	46.0%
BBB	800	12.4%	2,080	10.0%	708	10.8%	1,887	9.1%
BB	213	3.3%	425	2.0%	185	2.8%	417	2.0%
B	34	0.5%	42	0.2%	45	0.7%	103	0.6%
Unrated	1,644	25.4%	2,390	11.5%	1,168	17.8%	2,042	9.9%
Total	**6,481**	**100.0%**	**20,791[1]**	**100.0%**	**6,550**	**100.0%**	**20,698[1]**	**100.0%**

[1] The value of the collateral received amounts to USD 8.1 billion and USD 8.2 billion as of December 31, 2012 and 2011, respectively.

Credit risk related to mortgage loans and mortgage loans given as collateral

Mortgage loans and mortgage loans given as collateral expose the Group to credit risk. The mortgage business is dependent on local property market conditions and local legislation. Investment portfolio allocations made to mortgages consider these factors and are within the framework of the strategic asset allocation defined by the Group and adapted and approved by local investment committees. Conservative lending criteria (i.e. maximum mortgage loan to property value ratios) and the diversification of loans across many single borrowers, particularly in Germany and in Switzerland, help reduce potential loss. Dunbar Assets Ireland (formerly Zurich Bank) has, however, suffered from concentrations to a smaller number and type of borrowers, such as property developers and investors. Furthermore, business units are required to clearly state criteria for determining borrower and collateral quality in their local mortgage policies. The Group specifies requirements for the local policies and sets monitoring and reporting standards. The Group closely monitors the performance of the portfolios in terms of impairments and losses.

The Group's largest mortgage loan portfolios are in Germany (USD 4.8 billion) and in Switzerland (USD 4.1 billion); these are predominantly secured against residential property. In Switzerland, the underlying properties of individual loans are revalued every 10 years. In Germany, the property valuation is not generally reassessed after the granting of the mortgage loan. A less frequent or no revaluation of the underlying property means that reported loan-to-value (LTV) ratios will be higher (lower) than they would be if property prices have risen (fallen) since their valuation.

In Switzerland, the residential property market has seen steady price growth since 2000 and fast growth in the past five years, raising concerns about the development of a price bubble. Residential property price increases have been strongest in the main economic centers and more moderate in the rest of the country; residential prices in the Lake Geneva region have more than doubled since 2000, and in the Cantons of Zurich and Zug have increased by 60% and 95% respectively in the same period. In 2012, outstanding mortgages in the Lake Geneva region represent approximately 32% of the Swiss portfolio. Mortgages in the Canton of Zurich and in the Canton of Zug represent 35% and 1.6% of the Swiss portfolio respectively. The bulk of those mortgages was granted before 2008 and is therefore not affected by price developments in the last five years. In Germany, residential prices have started to rise in the major cities, and in line with the Group's investment policy, mortgage exposure has been reduced. To mitigate the impact of potential bubbles in the portfolio, the Group has a process to regularly review regional property markets, and to tighten underwriting standards in areas with strong price appreciation. Zurich's German and Swiss mortgage portfolios remain strong and well managed; LTV lending buffers are generally strong, and loss impairments and losses remain low.

The next largest portfolio comprises loans granted by Dunbar Assets Ireland (including the UK property loans of Dunbar Assets plc) of USD 1.1 billion (after provisions) in the UK and Ireland. They consist of residential and commercial property development financing or investment loans, secured as either property under development or completed developments. In 2010, these entities ceased originating new business in this market following the significant deterioration in economic conditions and the drop in property values in the UK and Ireland. Provisions at Dunbar Assets Ireland now stand at a significant USD 711 million (USD 631 million in 2011) or 39 percent and 31 percent of the portfolio as of December 31, 2012 and December 31, 2011 respectively; this accordingly reduces the carrying balance of net loans outstanding. Property valuations at Dunbar Assets Ireland are reviewed regularly as part of the continual assessment of the appropriateness of provisioning on a portfolio that is largely impaired. For more details, see table 18.a and 18.b.

Mortgage loans given as collateral were related to a single bank borrowing that expired in 2012. At the expiration date of the loan, the mortgages were returned to Zurich Deutscher Herold Lebensversicherung AG, and as of December 31, 2012 there are no mortgages given as collateral outstanding. See note 15 of the Consolidated financial statements.

Risk review *continued*

Credit risk related to other loans

The credit risk arising from other loans is assessed and monitored together with the fixed income securities portfolio. 66.1 percent of the reported loans are to municipalities or government or supranational institutions, of which 97.6 percent are to the German Central Government or the German Federal States. Table 17 shows the composition of the loan portfolio by rating class. As of December 31, 2012, a total of USD 8.0 billion or 68.3 percent of loans are secured. As of December 31, 2011, a total of USD 7.6 billion or 72.9 percent of loans were secured.

Table 17

Other loans by rating of issuer

as of December 31	2012		2011	
	USD millions	**% of total**	USD millions	% of total
Rating				
AAA	5,725	46.1%	6,761	56.6%
AA	1,934	15.6%	2,093	17.5%
A	1,805	14.5%	1,739	14.6%
BBB and below	1,281	10.3%	748	6.3%
Unrated	1,678	13.5%	501	4.2%
Total	**12,423**	**100.0%**	**11,944**	**100.0%**

Credit risk related to receivables

The Group's largest credit risk exposure to receivables is from third party agents, brokers and other intermediaries; the risk arises where they collect premiums from customers to be paid to the Group or pay claims to customers on behalf of the Group. The Group has policies and standards to manage and monitor credit risk from intermediaries with a focus on day-to-day monitoring of the largest positions. As part of these standards, the Group requires that intermediaries maintain segregated cash accounts for policyholder money. Additionally, the Group requires intermediaries to satisfy minimum requirements in terms of their capitalization, reputation and experience as well as providing short-dated business credit terms.

Past due but not impaired receivables should be regarded as unsecured, but some of these receivable positions may be offset by collateral. The Group reports internally on Group past due receivable balances and strives to keep the balance of past due positions as low as possible, while taking into account customer satisfaction. In 2012, the Group continued efforts to reduce past due receivables through both short- and long-term initiatives to improve processes and systems. In addition, a stricter policy and standardized monitoring were implemented.

Receivables from ceded reinsurance form part of the reinsurance assets and are managed accordingly.

See note 18 of the Consolidated financial statements for additional information on receivables.

Credit risk related to derivatives

The positive replacement value of outstanding derivatives, such as interest rate, currency, total return and equity swaps, forward contracts and purchased options represents a credit risk to the Group. In addition there is a potential exposure arising from possible changes in replacement value. The Group regularly monitors credit risk exposures arising from derivative transactions. Outstanding positions with external counterparties are managed through an approval process embedded in derivative programs.

To limit credit risk, derivative financial instruments are typically executed with counterparties rated "A–" or better by an external rating agency. In addition, it is the Group standard to only transact derivatives with counterparties where the Group has an ISDA Master Agreement with a Credit Support Annex in place. This mitigates credit exposures from over-the-counter transactions due to close-out netting and requires the counterparty to post collateral when the derivative position is beyond an agreed threshold. The Group mitigates credit exposures from derivative transactions further by using exchange-traded instruments whenever possible.

Analysis of financial assets

Tables 18.a through 19.b provide an analysis, for non unit-linked businesses, of the age of financial assets that are past due but not impaired and of financial assets that are individually determined to be impaired.

Table 18.a

Analysis of financial assets – current period

in USD millions, as of December 31, 2012	Debt securities	Mortgage loans	Mortgage loans given as collateral	Other loans	Receivables and other financial assets	Total
Neither past due nor impaired financial assets	**155,182**	**9,318**	**–**	**12,423**	**14,491**	**191,414**
Past due but not impaired financial assets. Past due by:						
1 to 90 days	–	185	–	–	1,207	1,392
91 to 180 days	–	80	–	–	290	370
181 to 365 days	–	107	–	–	223	330
> 365 days	–	165	–	–	305	469
Past due but not impaired financial assets	**–**	**537**	**–**	**–**	**2,024**	**2,561**
Financial assets impaired	**412**	**1,397**	**–**	**1**	**248**	**2,057**
Gross carrying value	**155,594**	**11,252**	**–**	**12,424**	**16,764**	**196,033**
Less: impairment allowance						
Impairment allowances on individually assessed financial assets	–	696	–	–	117	814
Impairment allowances on collectively assessed financial assets	–	37	–	–	210	247
Net carrying value	**155,594[1]**	**10,519[2]**	**–**	**12,423**	**16,437**	**194,972**

[1] Available-for-sale debt securities are included net of USD 12 million of impairment charges recognized during the year.
[2] USD 385 million past due but not impaired and USD 1.4 billion impaired mortgage loans relate to the run-off property loans at Dunbar Assets Ireland.

Risk review *continued*

Analysis of financial assets – prior period

Table 18.b

in USD millions, as of December 31, 2011	Debt securities	Mortgage loans	Mortgage loans given as collateral	Other loans	Receivables and other financial assets	Total
Neither past due nor impaired financial assets	**144,050**	**9,867**	**215**	**11,943**	**14,173**	**180,248**
Past due but not impaired financial assets. Past due by:						
1 to 90 days	–	242	4	1	1,086	1,333
91 to 180 days	–	58	1	–	261	319
181 to 365 days	–	95	1	–	189	285
> 365 days	–	149	2	–	312	462
Past due but not impaired financial assets	**–**	**543**	**7**	**1**	**1,848**	**2,399**
Financial assets impaired	**461**	**1,293**	**–**	**–**	**198**	**1,953**
Gross carrying value	**144,511**	**11,703**	**223**	**11,944**	**16,219**	**184,600**
Less: impairment allowance						
Impairment allowances on individually assessed financial assets	–	618	–	–	117	735
Impairment allowances on collectively assessed financial assets	–	27	–	–	203	230
Net carrying value	**144,511**[1]	**11,058**[2]	**223**	**11,944**	**15,899**	**183,634**

[1] Available-for-sale debt securities are included net of USD 55 million of impairment charges recognized during 2010.
[2] USD 399 million past due but not impaired and USD 1.3 billion impaired mortgage loans relate to the run-off property loans at Dunbar Assets Ireland.

Tables 19.a and 19.b show how the allowances for impairments of financial assets in tables 18.a and 18.b have developed over the 2011 and 2012 financial years.

Development of allowance for impairments – current period

Table 19.a

in USD millions	Mortgage loans	Other loans	Receivables
As of January 1, 2012	645	–	320
Increase/(Decrease) in allowance for impairments	69	13	39
Amounts written-off	(4)	(13)	(37)
Transfers	–	–	–
Foreign currency translation effects	23	–	5
As of December 31, 2012	**733**	**–**	**327**

Development of allowance for impairments – prior period

Table 19.b

in USD millions	Mortgage loans	Other loans	Receivables
As of January 1, 2011	590	2	323
Increase/(Decrease) in allowance for impairments	103	–	42
Amounts written-off	(33)	(1)	(31)
Transfers[1]	–	–	(2)
Foreign currency translation effects	(15)	–	(12)
As of December 31, 2011	**645**	**–**	**320**

[1] Due to the reclassification to held for sale of the Group's operations in Bolivia. (See note 5 of the Consolidated financial statements.)

Liquidity risk

Liquidity risk is the risk that the Group may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. Zurich's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Group assesses, monitors and manages its liquidity needs on an ongoing basis.

The Group has Group-wide liquidity management policies and specific guidelines as to how local businesses have to plan, manage and report their local liquidity. These include regularly conducting stress tests for all major carriers within the Group. The stress tests use a standardized set of internally defined stress events, and are designed to provide an overview of the potential liquidity drain the Group would face if it had to recapitalize local balance sheets.

At the Group level, similar guidelines apply and detailed liquidity forecasts based on the local businesses' input and the Group's own forecasts are regularly performed. As part of its liquidity management, the Group maintains sufficient cash and cash equivalents and high quality, liquid investment portfolios to meet expected outflows including those for maturing debt obligations. In addition, the Group maintains internal liquidity sources that cover the Group's potential liquidity needs, including those that might arise under stressed conditions. The Group takes into account the amount, permanence of availability and speed of accessibility of the sources. The Group centrally maintains committed borrowing facilities, as well as access to diverse funding sources to cover contingencies. Funding sources include asset sales, external debt issuances and use of letters of credit. The Group maintains a broad range of maturities for external debt securities. A possible concentration risk could arise from a downgrade of the Group's credit rating. This could impact the Group's commitments and guarantees, thus potentially increasing the Group's liquidity needs.

The Group limits the percentage of the investment portfolio that is not readily realizable, and regularly monitors exposures to take action if necessary to maintain an appropriate level of asset liquidity. During 2012, the Group was within its limits for asset liquidity. The fair value hierarchy tables in note 26 to the Consolidated financial statements segregate financial assets into three levels to reflect the basis of the determination of fair value. These tables indicate the high liquidity of the Group's investments.

See note 21 of the Consolidated financial statements for additional information on debt obligation maturities and on credit facilities and note 25 of the Consolidated financial statements for information on commitments and guarantees. The Group's regular liquidity monitoring includes monthly reporting to the executive management and quarterly reporting to the Risk Committee of the Board, covering aspects such as the Group's actual and forecasted liquidity, possible adverse scenarios that could affect the Group's liquidity and possible liquidity needs from the Group's main subsidiaries, including under stressed conditions.

Tables 20.a and 20.b provide an analysis of the expected maturity profile of reserves for insurance contracts, net of reinsurance, based on expected cash flows without considering the surrender values as of December 31, 2012 and 2011. Reserves for unit-linked insurance contracts amounting to USD 74.1 billion and USD 68.8 billion as of December 31, 2012 and 2011, respectively, are not included, as policyholders can generally surrender their contracts at any time, at which point the underlying unit-linked assets would be liquidated. Risks from the liquidation of unit-linked assets are borne by the policyholders of unit-linked contracts.

Risk review *continued*

Table 20.a

Expected maturity profile for reserves for insurance contracts, net of reinsurance – current period

in USD millions, as of December 31, 2012	Reserves for losses and loss adjustment expenses	Future life policyholders' benefits	Policyholders' contract deposits and other funds	Total
< 1 year	17,288	8,188	1,370	26,846
1 to 5 years	23,688	20,807	2,208	46,704
5 to 10 years	8,465	14,448	1,859	24,772
10 to 20 years	5,612	18,896	2,361	26,869
> 20 years	2,332	18,960	10,119	31,411
Total	**57,385**	**81,300**	**17,917**	**156,602**

Table 20.b

Expected maturity profile for reserves for insurance contracts, net of reinsurance – prior period

in USD millions, as of December 31, 2011	Reserves for losses and loss adjustment expenses	Future life policyholders' benefits	Policyholders' contract deposits and other funds	Total
< 1 year	14,395	6,231	1,551	22,176
1 to 5 years	21,862	23,113	2,300	47,275
5 to 10 years	8,783	14,556	1,829	25,168
10 to 20 years	7,047	16,545	2,274	25,866
> 20 years	3,255	17,557	8,221	29,032
Total	**55,341**	**78,001**	**16,175**	**149,517**

For additional information on reserves for insurance contracts, see note 8 of the Consolidated financial statements.

Tables 21.a and 21.b provide an analysis of the maturity of liabilities for investment contracts based on expected cash flows as of December 31, 2012 and 2011. The undiscounted contractual cash flows for liabilities for investment contracts are USD 58.3 billion and USD 51.3 billion as of December 31, 2012 and December 31, 2011, respectively. Liabilities for unit-linked investment contracts amount to USD 50.9 billion and USD 44.2 billion as at December 31, 2012 and 2011, respectively. The policyholders of unit-linked investment contracts can generally surrender their contracts at any time, at which point the underlying unit-linked assets would be liquidated. Risks from the liquidation of unit-linked assets are borne by the policyholders of unit-linked investment contracts. Certain non-unit-linked contracts also allow for surrender of the contract by the policyholder at any time. Liabilities for such contracts amounted to USD 958 million and USD 950 million as of December 31, 2012 and 2011 respectively. The Group actively manages the Global Life in-force business to improve persistency and retention.

Table 21.a

Expected maturity profile for liabilities for investment contracts – current period

in USD millions, as of December 31, 2012	Liabilities related to unit-linked investment contracts	Liabilities related to investment contracts (amortized cost)	Liabilities related to investment contracts with discretionary participation features	Total
< 1 year	4,441	172	295	4,908
1 to 5 years	6,468	799	1,333	8,600
5 to 10 years	6,966	173	1,068	8,207
10 to 20 years	9,435	115	940	10,490
> 20 years	23,612	46	2,267	25,925
Total	**50,923**	**1,305**	**5,903**	**58,131**

Table 21.b

Expected maturity profile for liabilities for investment contracts – prior period

in USD millions, as of December 31, 2011	Liabilities related to unit-linked investment contracts	Liabilities related to investment contracts (amortized cost)	Liabilities related to investment contracts with discretionary participation features	Total
< 1 year	3,895	252	276	4,422
1 to 5 years	5,802	542	1,339	7,683
5 to 10 years	6,316	168	973	7,456
10 to 20 years	8,467	123	782	9,372
> 20 years	19,739	47	2,238	22,024
Total	**44,220**	**1,131**	**5,607**	**50,958**

See notes 15 and 21 of the Consolidated financial statements for information on the maturities of collateralized loans and total debt issued, respectively. For more information on the Group's other financial liabilities, see note 19 of the Consolidated financial statements.

See note 6 of the Consolidated financial statements for information on the maturity of debt securities for total investments.

The Group has committed to contribute to third parties that engage in investment in direct private equity and private equity funds. Commitments may be called by the counterparty over the term of the investment (generally three to five years) and must be funded by the Group on a timely basis. See note 25 of the Consolidated financial statements.

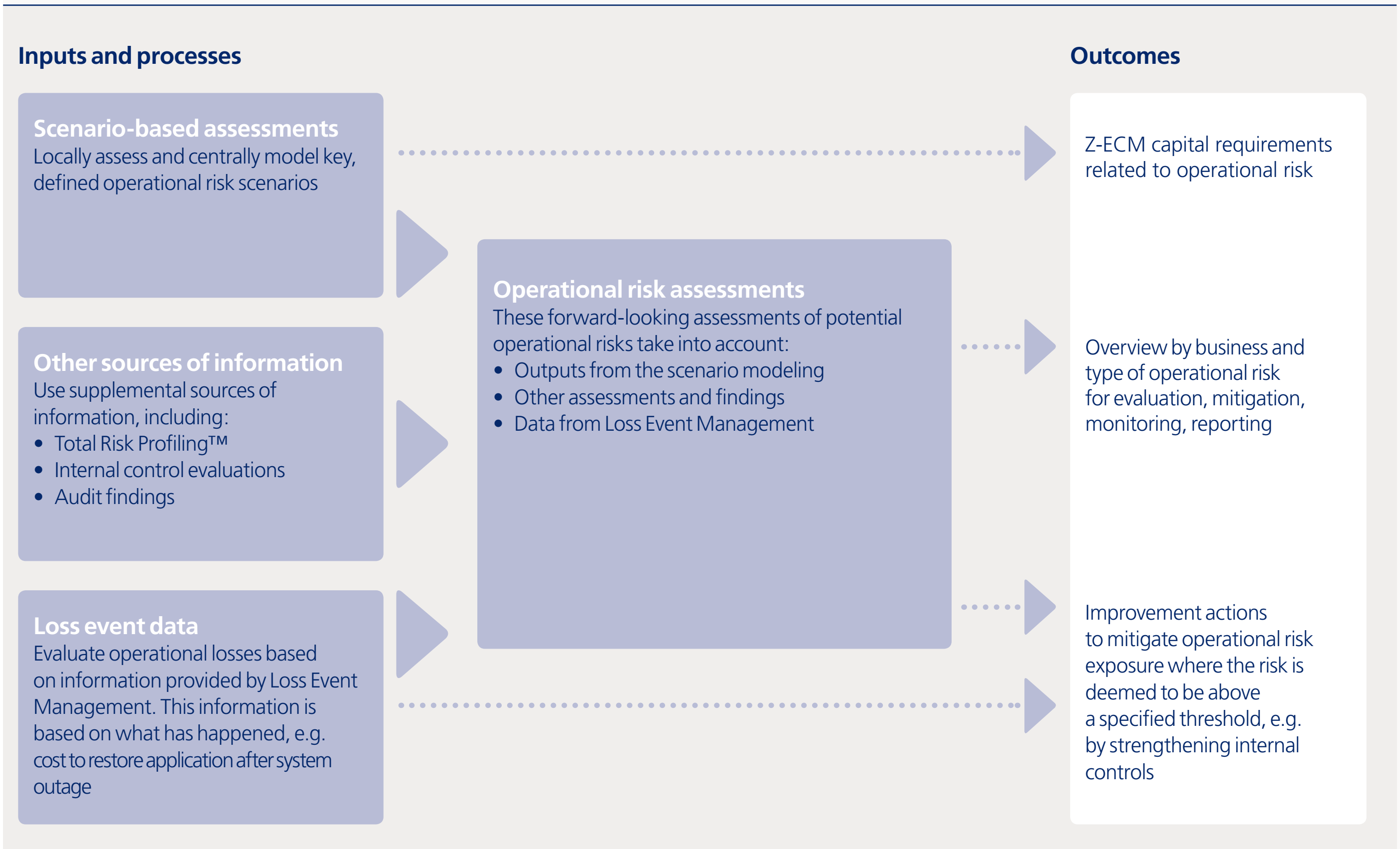
Risk review *continued*

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events such as outsourcing, catastrophes, legislation, or external fraud.

Zurich has a comprehensive framework with a common approach to identify, assess, quantify, mitigate, monitor and report operational risk within the Group as summarized below.

Operational risk



Within this framework, the Group:

- Uses a scenario-based approach to assess, model and quantify the capital required for operational risk for business units under extreme circumstances (internal model calibrated to a confidence level of 99.95 percent over a one-year time horizon). This approach allows comparison of information across the Group and highlights the main scenarios contributing to the Z-ECM capital required. See chart "Z-ECM capital required for operational risk split by risk scenarios (unaudited)" on page 157 for more information.
- Documents and evaluates loss events above a threshold determined by the Zurich Risk Policy, in a Group-wide database. Improvement actions are put in place to avoid recurrence of such operational loss events.
- Conducts operational risk assessments through which operational risks are identified for key business areas and are qualitatively assessed. Risks identified and assessed above a certain threshold must be mitigated, and escalated in specific reports at the Group level. Plans for improvement actions are documented and tracked on an ongoing basis. The Group uses a scoping exercise to determine which business units and Group-wide functional areas conduct operational risk assessments. In the assessments, the Group uses such sources of information as Total Risk Profiling™, internal control assessments, and audit findings, as well as scenario modeling and loss event data.

Issues identified, including financial adjustments in the General Insurance business in Germany, have been communicated to the Board and either have been or are being addressed by the Group.

The Group has specific processes and systems in place to focus on high priority operational matters such as information security, managing business continuity, and combating fraud.

In the area of information security the Group continued to focus on its global improvement program with special emphasis on protecting customer information, improving security with its suppliers and monitoring that access to information is properly controlled. This helps the Group to better protect information assets and ensure compliance with regulation and policies.

A key task is maintaining and developing capability of the Group's business continuity with an emphasis on recovery from events such as natural catastrophe and the possibility of a pandemic. The Group continued to develop its existing business continuity capability by further implementing a more globally consistent approach to business continuity and crisis management.

Addressing the risk of claims and non-claims fraud continues to be of importance. In 2012, the Group continued its global anti-fraud initiative to further improve the Group's ability to prevent, detect and respond to fraud. While claims fraud is calculated as part of insurance risk and non-claims fraud is calculated as part of operational risk for risk-based capital, both are part of the common framework for assessing and managing operational risks.

Generally, all business activities contain some aspect of operational risk. Therefore, ongoing initiatives such as The Zurich Way and operational transformation help Zurich manage operational risks through standardization of processes. Projects with an expected budget over a defined threshold undergo a risk assessment.

The Group considers controls to be key instruments for monitoring and managing operational risk. Although primarily focused on important controls over financial reporting, internal control efforts also include related operational and compliance controls. Therefore, the Group continues to strengthen the robustness, consistency, documentation and assessment of internal controls for significant entities and business processes. Operational effectiveness of key controls is assessed by self assessment and independent testing on controls supporting the financial statements. For more details, see the "Risk management and internal control statement" in the "Corporate governance report (unaudited)."

Risks to the Group's reputation

Risks to the Group's reputation include the risk that an act or omission by the Group or any of its employees could result in damage to the Group's reputation or loss of trust among its stakeholders. Every risk type has potential consequences for Zurich's reputation, and therefore, effectively managing each type of risk helps Zurich reduce threats to its reputation.

Additionally, the Group endeavors to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of Zurich Basics, the Group's code of conduct, which includes integrity and good business practice. The Group centrally manages certain aspects of reputation risk, for example, communications, through functions with the appropriate expertise.

Risk review *continued*

Capital management and analysis of capital adequacy

Capital management

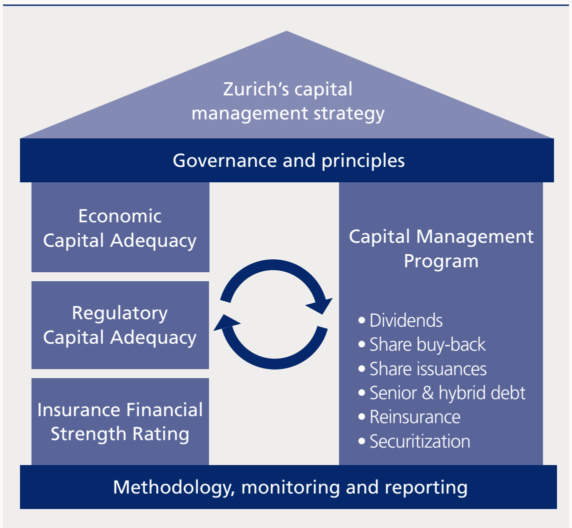
The Group's capital management strategy is to maximize long term shareholder value by optimizing capital allocation while managing the balance sheet at "AA" level and in accordance with regulatory, solvency and rating agency requirements. In particular, the Group endeavors to manage its capital such that the Group and all of its regulated entities are adequately capitalized in compliance with the relevant regulatory capital adequacy requirements.

Further, Zurich strives to simplify the Group's legal entity structure in order to reduce complexity and increase fungibility of capital. The Group also wants to minimize constraints to capital fungibility by pooling risk, capital and liquidity centrally as much as possible.

Capital management framework

The Group's capital management framework forms the basis for actively managing capital within Zurich. Major elements are economic, regulatory, and rating agency capital adequacy.

Capital management framework



Zurich's policy is to manage its capital position by allocating capital to businesses earning the highest risk-adjusted returns and pooling risks and capital as much as possible to operationalize its global risk diversification, subject to local and Group regulatory solvency requirements and rating agency capital adequacy constraints.

The Group manages capital and solvency through an integrated and comprehensive framework of principles and governance structures as well as methodology, monitoring and reporting processes. At a Group executive level, the Group Balance Sheet Committee defines the capital management strategy and sets the principles, standards and policies for the execution of the strategy. Group Treasury and Capital Management is responsible for the execution of the capital management strategy within the mandate set by the Group Balance Sheet Committee.

Within these defined principles, the Group manages its capital using a number of different capital models taking into account economic, regulatory, and rating agency constraints. The Group's capital and solvency position is monitored and reported regularly. Based on the results of the capital models and defined standards and principles, Group Treasury and Capital Management has a set of measures and tools available to manage capital within the defined constraints. This tool set is referred to as the capital management program.

Capital management program

The Group's capital management program comprises various actions to optimize shareholders' total return and to meet capital needs, while enabling Zurich to take advantage of growth opportunities as they arise. Such actions are performed as and when required and include dividends, capital repayments, share buy-backs, issuances of shares, issuance of senior and hybrid debt, securitization and purchase of reinsurance.

The Group seeks to maintain the balance between higher returns for shareholders on equity held, which may be possible with higher levels of borrowing, and the security provided by a sound capital position. The payment of dividends, share buy-backs, and issuances and redemption of debt have an important influence on capital levels. In 2012, the Group paid a dividend out of the capital contribution reserve, repaid outstanding preferred securities and refinanced with subordinated debt securities, and replaced maturing senior debt with new senior debt.

Zurich Insurance Group Ltd is not subject to legal restrictions on the amount of dividends it may pay to its shareholders other than under the Swiss Code of Obligations. The Swiss Code of Obligations provides that dividends may only be paid out of freely distributable reserves or retained earnings and that 5 percent of annual retained earnings must be allocated to a general legal reserve until such reserve in the aggregate has reached 20 percent of the paid-in share capital; therefore the earnings allocated to those reserves are restricted. As of December 31, 2012, the amount of the general legal reserve exceeded 20 percent of the paid-in share capital of the Group. Similarly, company laws in many countries in which the Group's subsidiaries operate may restrict the amount of dividends payable by those subsidiaries to their parent companies.

Other than by operation of the restrictions mentioned above, the ability of the Group's subsidiaries to pay dividends may be restricted or, while dividend payments as such may be legally permitted, may be indirectly influenced by minimum capital and solvency requirements imposed by insurance, bank and other regulators in the countries in which the subsidiaries operate as well as by other limitations such as foreign exchange control restrictions existing in some countries.

In the U.S., restrictions on the payment of dividends that apply to insurance companies may be imposed by the insurance laws or regulations of an insurer's state of domicile. For general insurance subsidiaries, dividends are generally limited over a 12 month period to 10 percent of the previous year's policyholders' surplus or previous year's net income. For life, accident and health insurance subsidiaries, dividends are generally limited over a 12 month period to 10 percent of the previous year's policyholders' surplus or the previous year's net gain from operations. Dividends paid in excess of statutory limitations require prior approval from the Insurance Commissioner in the insurer's state of domicile.

For details on dividend payments, and issuances and redemptions of debt, see notes 21 and 22 of the Consolidated financial statements.

Analysis of capital adequacy

Insurance Financial Strength Rating

The Group maintains interactive relationships with three global rating agencies: Standard and Poor's, Moody's and A.M. Best. The Insurance Financial Strength Rating (IFSR) of the Group's main operating entity is an important element of Zurich's competitive position. Moreover, the Group's credit ratings derived from the financial strength ratings affect the cost of capital.

The Group maintained its strong rating level and its stable outlook in 2012. As of December 31, 2012 the IFSR of Zurich Insurance Company Ltd, the main operating entity of the Group, was rated "AA–/stable" by Standard and Poor's, "Aa3/stable" by Moody's and "A+ (superior)/stable" by A.M. Best.

Regulatory capital adequacy

The Group endeavors to manage its capital such that all of its regulated entities meet local regulatory capital requirements at all times.

In each country in which the Group operates, the local regulator specifies the minimum amount and type of capital that each of the regulated entities must hold in addition to their liabilities. The Group targets to hold, in addition to the minimum capital required to comply with the solvency requirements, an adequate buffer to ensure that each of its regulated subsidiaries meets the local capital requirements. The Group is subject to different capital requirements depending on the country in which it operates. The main areas are Switzerland and European Economic Area countries, and the U.S.

At a Group level, Zurich endeavors to pool risk and capital as much as possible and thereby create diversification benefits for the Group. This also allows the Group to take into account the benefits that arise from this pooling in those regions where these benefits are recognized under the capital adequacy regime, e.g. in the U.S., Ireland, and Switzerland.

Risk review *continued*

Regulatory requirements in Switzerland

In Switzerland, under the Swiss Solvency Test (SST), groups, conglomerates and reinsurers are required to use company-specific internal models to calculate risk-bearing and target capital. Internal models must be approved by the Swiss Financial Market Supervisory Authority (FINMA). In 2012, Zurich continued to further enhance and refine its internal model to meet evolving regulatory requirements. The model approval process continues with FINMA, which has approved on a provisional basis the use of Zurich's internal model for 2012, without prejudicing the final approval of the internal model. Zurich has filed an SST ratio with FINMA in excess of the regulatory requirements, both as of January 1, 2012 and as of July 1, 2012. For more details, see the "Swiss Solvency Test requirement" section in the Risk review.

Regulatory requirements in the European Economic Area

In European countries, insurance entities are required to maintain minimum solvency margins according to the existing Solvency I legislation. Solvency I capital is calculated as a fixed percentage of premiums, claims, reserves and net amounts at risk. The required minimum solvency margin for general insurers is the greater of 16 percent of premiums written for the year or 23 percent of a three-year average of claims incurred, subject to the first tranche (EUR 61 million) of premiums at 18 percent and the first tranche (EUR 43 million) of claims at 26 percent. In these calculations, premiums and claims for certain liability lines are increased by 50 percent. A reduction is given for reinsurance based on reinsurance claims recoveries over three years as a percentage of gross claims in those years, limited to a maximum of 50 percent. Life insurance companies are required to maintain a minimum solvency margin generally of 4 percent of insurance reserves, but reduced to 1 percent of insurance reserves for life insurance where the credit and market risks are carried by policyholders, plus 0.3 percent of the amount at risk under insurance policies. The same minimum capital requirements are applicable for insurance entities operating in Switzerland. In certain European countries, both EU and non-EU, further requirements have been imposed by regulators.

On November 25, 2009 the directive on Solvency II was adopted. Solvency II aims to reflect the latest developments in prudential supervision, actuarial methods and risk management. It includes economic risk-based solvency requirements, which are more risk sensitive and more sophisticated than Solvency I. Solvency II capital requirements also consider all material risks and their interactions. As part of the risk management system, all EU/EEA insurance and reinsurance entities will be required to conduct their own risk and solvency assessment, including the assessment of the overall solvency needs reflecting their specific risk profiles. As part of the disclosure provisions, companies will have to publicly report their solvency and financial condition.

Zurich is fully engaged in an extensive program of work in order to meet Solvency II requirements when they enter into force. The Group intends to use its internal model, which aligns the Solvency II approach with that used for the SST, for Zurich Insurance plc (Ireland). The Group has started the pre-application process in order to gain regulatory approval for the internal model from the Central Bank of Ireland, the Group's EU lead regulator.

Regulatory requirements in the U.S.

In the U.S., required capital is determined to be the "company action level risk-based capital" calculated with the risk-based capital model of the National Association of Insurance Commissioners. This method, which builds on regulatory accounts, measures the minimum amount of capital for an insurance company to support its overall business operations by taking into account its size and risk profile. The calculation is based on risk-sensitive factors that are applied to various asset, premium, claim, expense and reserve items.

Solvency I requirements at Group level

The Group continues to be subject to Solvency I requirements based on the Swiss Insurance Supervisory Law. Table 22 sets out the Solvency I position as drafted for filing with the Swiss regulator for 2012 and a restated position for 2011. See Note 1 of the Consolidated financial statements for more information.

The Group's Solvency I composition

Table 22

in USD millions, as of December 31	2012	2011
Eligible equity		
Total equity	**36,862**	**33,973**
Net of intangibles and other assets	(8,501)	(8,851)
Free reserves for policyholder dividends	5,238	3,032
Subordinated debt[1]	5,709	4,854
Deferred policyholder acquisition costs non-life insurance	(3,088)	(3,043)
Dividends, share buy-back and nominal value reduction	(2,730)[2]	(2,647)
Total eligible equity	**33,488**	**27,317**
Total required solvency capital	**12,031**	**11,789**
Excess margin	**21,458**	**15,528**
Solvency I ratio	**278%**	**232%**

[1] Under regulations issued by FINMA during 2007, dated subordinated debt issuances are admissible up to 25 percent of the capital requirement, undated issuances up to 50 percent of the capital requirement.
[2] Amount for dividend reflects the proposed dividend for the financial year 2012, not yet approved by the Annual General Meeting.

As of December 31, 2012 and 2011 respectively, the Group and its material, regulated subsidiaries complied with the applicable regulatory minimum capital requirements.

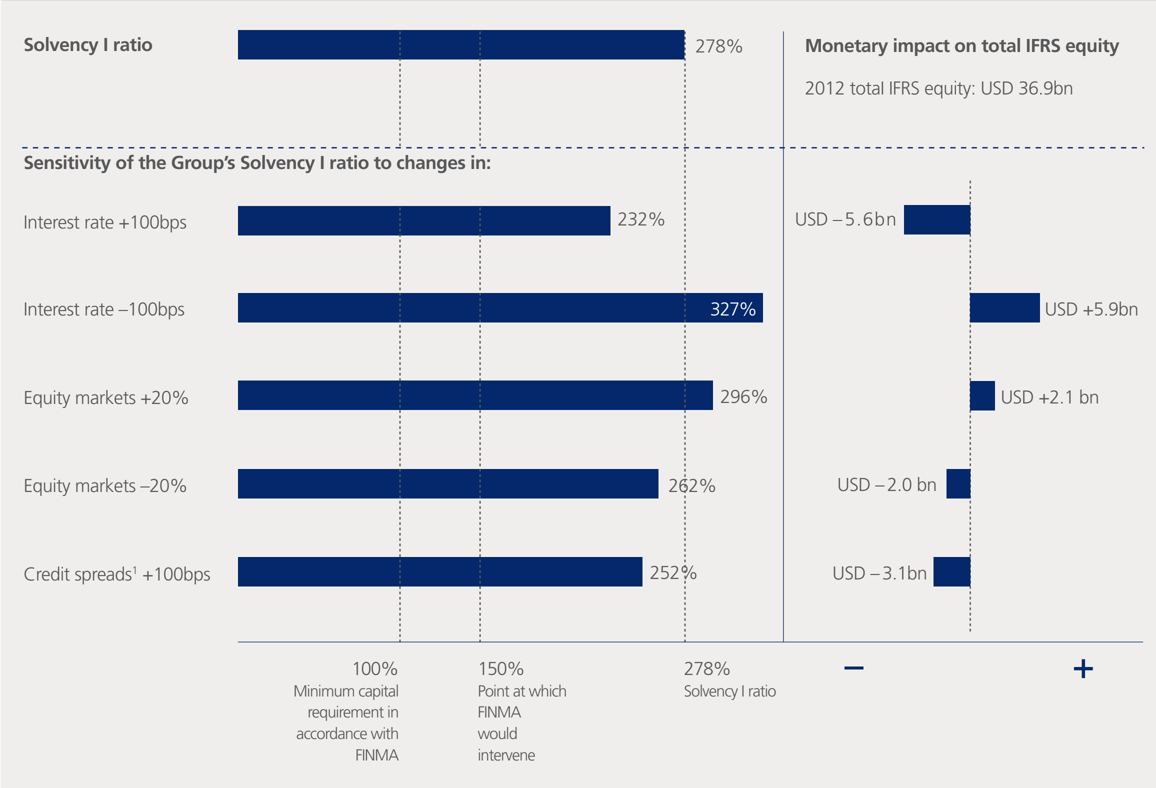
The following chart shows the estimated impact on the Group's solvency position of a one percentage point increase/decrease in yield curves, a separate 20 percent rise/decline in all stock markets, after consideration of hedges in place and a separate one percentage point change in credit spreads, as of December 31, 2012. The sensitivities are considered separate but instantaneous scenarios.

Limitations of the analysis:

- The sensitivity analysis does not take into account actions that might be taken to mitigate losses. The Group uses an active strategy to manage these risks, which may involve changing the asset allocation, for example, through selling and buying assets.
- The sensitivities show the effects from a change of certain risk factors, while other assumptions, such as policyholder assumptions, remain unchanged.
- The interest rate scenarios assume a parallel shift of all interest rates.
- The equity market scenario assumes a concurrent movement of all stock markets.
- The impact on unit-linked business is not included, as policyholders bear the majority of investment risk.
- The impact on changes to the required capital is not included in the sensitivities for the Solvency I ratio.
- The major markets in which the Group invests are the U.S. and Europe. The major interest rate exposures are to U.S. dollar- and euro- denominated assets and liabilities. The sensitivities do not indicate a probability of such events and do not necessarily represent the Group's view of expected future market changes. Debt securities are primarily exposed to interest rate risk, while equity securities are primarily exposed to equity market risk. Debt securities can be affected also by spread widening due to changes in credit quality.
- The Group effective tax rate is assumed to be 24.7 percent in 2012. For the Non-Core Businesses with life insurance characteristics, specific tax rates have been applied.

Risk review *continued*

Sensitivities for the Group's Solvency I ratio and IFRS equity
(as of December 31, 2012)



[1] The credit spread sensitivity is applied to corporate debt, mortgages and euro currency government debt (excluding Germany).

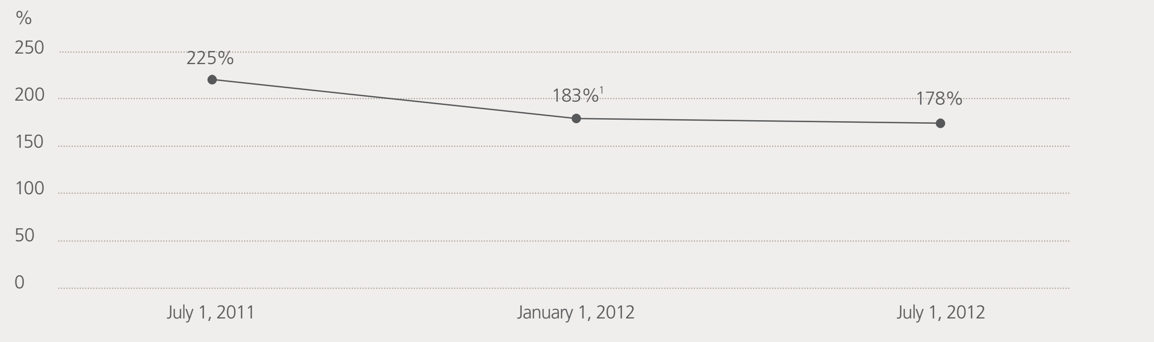
Beginning of unaudited sections.

Swiss Solvency Test requirement

Since January 1, 2011, the Swiss Solvency Test (SST) capital requirements are binding in Switzerland. The Group uses an adaptation of its internal Zurich Economic Capital Model (Z-ECM) to comply with the SST requirements and runs a full SST calculation twice a year. The model is still subject to FINMA approval. For more details about Z-ECM, see the "Internal model capital adequacy (unaudited)" section in the Risk review. For more details about the SST model approval process see the "Regulatory requirements in Switzerland" section in the Risk review.

The Group has filed with FINMA an SST ratio of 178 percent as of July 1, 2012, which is a slight deterioration compared to January 1, 2012 when the ratio was 183 percent.

Development of the Group's Swiss Solvency Test ratio
(in %)

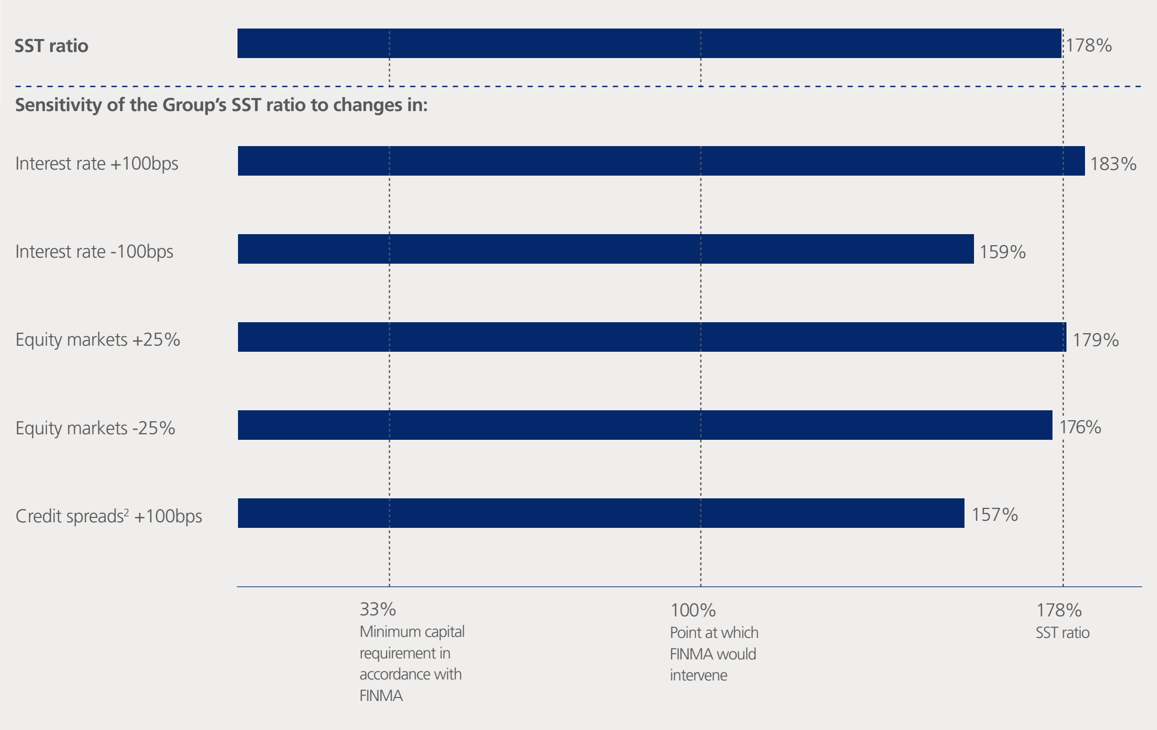


[1] After FINMA adjustment to remove USD 500m hybrid bond issued on 18 January 2012

Risk review *continued*

The following chart shows the estimated impact on the Group's SST ratio of a one percentage point increase/decrease in yield curves, a separate 25 percent rise/decline in all stock markets, after consideration of hedges in place and a separate one percentage point change in credit spreads, as of July 1, 2012. The sensitivities are considered separate but instantaneous scenarios.

Sensitivities for the Group's Swiss Solvency Test ratio[1]
(as of July 1, 2012)



[1] Does not include sensitivities to the underlying assets and liabilities related to the transaction with Zurich Santander. (For more information, see note 5 of the Consolidated financial statements.) The impact of sensitivities on changes to the SST Target Capital is only approximated and only taken into account on Market/ALM risk.
[2] The credit spread sensitivity is applied to corporate debt, mortgages and Euro currency government debt (excluding Germany). The credit spread sensitivity does not take into account the buffering effect of policyholder participation.

Internal model capital adequacy

Internally, the Group uses its Zurich Economic Capital Model (Z-ECM), which also forms the basis of the SST model. The Z-ECM targets a total capital level that is calibrated to an "AA" financial strength. Zurich defines the Z-ECM capital required as being the capital required to protect the Group's policyholders in order to meet all of their claims with a confidence level of 99.95 percent over a one-year time horizon.

While the Z-ECM and the SST models are overall very similar, below is a summary of the main differences between the two approaches.

Group's Risk Tolerance

Z-ECM ratio	Range	Action
120%	>120%	Consider increased risk taking or remedial actions
100%	**100-120% "AA" Target Range**	**No action required as within stated objective and equivalent to "AA" rating**
90%	90-100%	Position may be tolerated for a certain time depending on the risk environment
0%	<90%	Z-ECM ratio below Group risk tolerance level, requiring appropriate remedial actions and implementation of de-risking measures

Comparison between Z-ECM and SST

Key parameters	Z-ECM	SST
Calibration	VaR 99.95% comparable to "AA"	Expected shortfall 99% comparable to "BBB"
Risk-free yield curve	Swap rates (without liquidity premium)	Government rates (without liquidity premium) (German Bund for EUR)[1]
Operational risk	Included	Considered only qualitatively
FINMA Add-on	Not reflected	Uplift to market/ALM and credit risk
Treatment of senior debt	Available capital	Liability
Business risk (expense risk) for General Insurance	Fully Included	Included in stress scenarios
Extreme market risk scenarios	Included as stress buffer in ALM	Aggregated to the overall result

■ Results in either higher capital requirements or lower available financial resources, or both.

[1] In the Circular "Temporary Adjustments to the Swiss Solvency Test (SST)", in force since January 1, 2013, FINMA allows insurers to use swap rates minus 10 bps as a reference rate.

The Group uses Z-ECM to assess the economic capital consumption of its business on a one-balance-sheet approach. The Z-ECM framework is an integral part of how the Group is managed. The Z-ECM framework is embedded in the Group's organization and decision making, and is used in capital allocation, business performance management, pricing, reinsurance purchasing, transaction evaluation, risk optimization, regulatory, investor, and rating agency communication. Z-ECM quantifies the capital required for insurance-related risk (including premium and reserve, natural catastrophe, business and life insurance), market risk (market/ALM), credit risk (including reinsurance credit and investment credit) and operational risks.

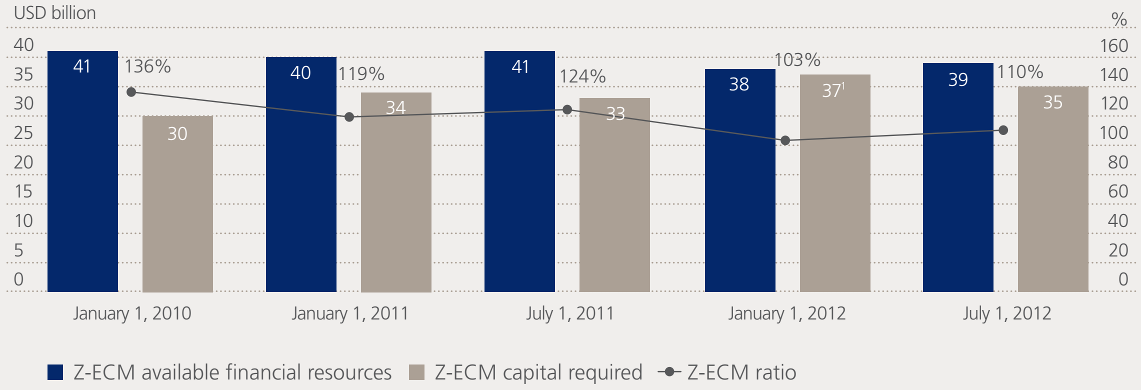
At the Group level, Zurich compares Z-ECM capital required to the Z-ECM available financial resources (Z-ECM AFR) to derive an Economic Solvency Ratio (Z-ECM ratio). Z-ECM AFR reflects financial resources available to cover policyholder liabilities in excess of their expected value. It is derived by adjusting the IFRS shareholders' equity to reflect the full economic capital base available to absorb any unexpected volatility in the Group's business activities.

Risk review *continued*

The chart below shows the development of the Group's Z-ECM available financial resources, Z-ECM capital required and Z-ECM ratio over time.

Analysis of the Group's Z-ECM available financial resources and Z-ECM capital required

in USD billions

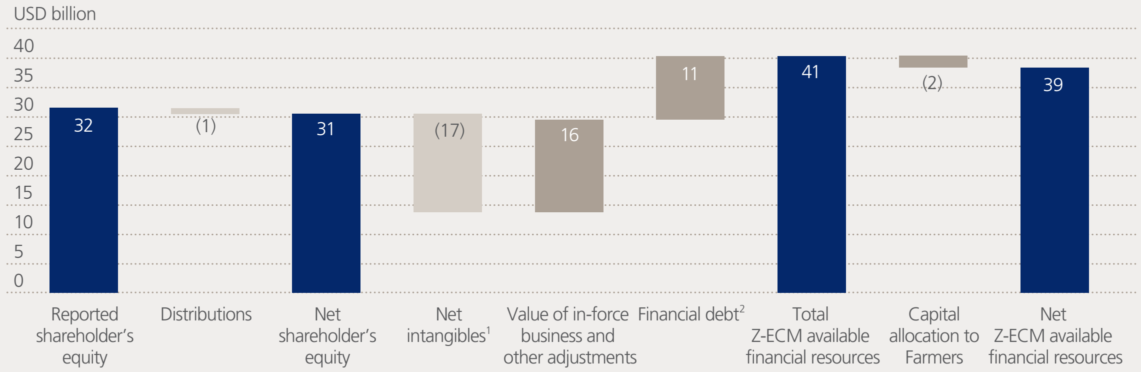


[1] The transaction with Zurich Santander and the acquisition of Zurich Insurance Malaysia Berhad is included in the total Z-ECM capital required.

The chart below shows an analysis of the composition of the Group's Z-ECM available financial resources as of July 1, 2012.

Analysis of the Group's Z-ECM available financial resources

in USD billions as of July 1, 2012

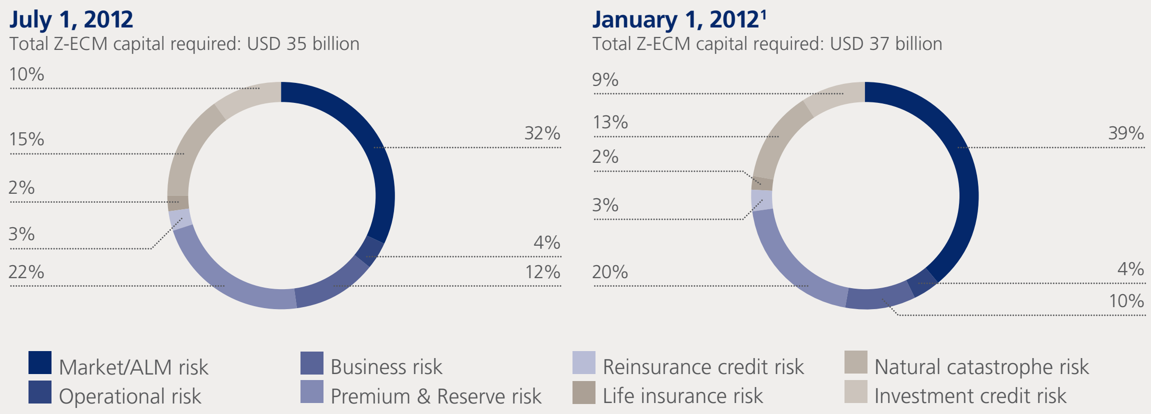


[1] Shareholders' intangible assets adjusted for taxes less deferred front-end fees and deferred tax liabilities
[2] All debt issues (senior and subordinated) excluding those classified as operational debt or maturing within one year

The chart below shows a split of the Z-ECM capital required split by risk type as of July 1 and as of January 1, 2012 respectively. As of July 1, 2012, the largest proportion of Z-ECM capital required arises from Market/ALM risk which comprises 32 percent of the total. Premium & Reserve risk is the second largest, comprising 22 percent.

Z-ECM capital required split by risk type

%, as of July 1 and January 1, 2012



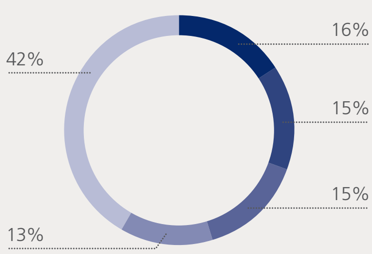
[1] The transaction with Zurich Santander and the acquisition of Zurich Insurance Malaysia Berhad is included in the total Z-ECM capital required, but is not considered in the split by risk type.

As part of Z-ECM, the Group uses a scenario-based approach to assess, model and quantify the capital required for operational risk for business units under extreme circumstances and a very small probability of occurrence (internal model calibrated to a confidence level of 99.95 percent over a one-year time horizon). The chart below shows the operational risk scenarios that have the highest impact on Z-ECM capital required. See "Operational risk (audited)" on page 146 for more information.

Z-ECM capital required for operational risk split by risk scenarios

(as of July 1, 2012)

Risk scenarios contributing to the Z-ECM capital required for operational risk



Regulatory compliance: This risk scenario covers the possible risk of non-compliance with applicable laws and regulations leading to a range of consequences including fines and penalties, litigations, compensation to policyholders, increased regulatory scrutiny, financial losses and increased cost of compliance.

Market abuse: This risk scenario covers the possibility of investigation and possible sanction or fines imposed on Zurich as a company or any member of staff as a result of market abuse.

M&A due diligence: This risk scenario covers the possible risk of poor execution of the due diligence process leading to understatement of liabilities, required investment, operational or legal risks in the acquired business; these understatements result in an inadequate transaction decision.

Conduct of business: This risk scenario covers the possible risk that staff, processes and systems may act in ways that lead to inappropriate conduct of business in relation to the customer. This covers all activities undertaken by Zurich employees and its agents and other authorized parties acting on Zurich's behalf in the solicitation, sale or procurement, settlement, surrender or inspection of a Zurich product or service. 'Treating Customers Fairly' is a subset of this category.

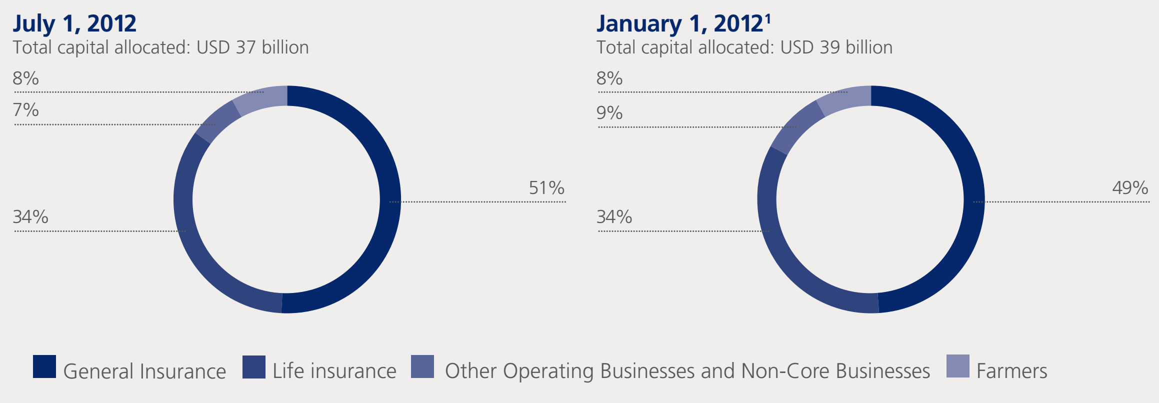
Other scenarios

Risk review *continued*

The following chart shows a split of the Z-ECM capital required allocated to the segments as of July 1 and as of January 1, 2012. As of July 1, 2012, the largest proportion of Z-ECM capital required is allocated to General Insurance, which comprises 51 percent of the total, followed by Global Life with 34 percent of the total. Total allocated capital as of July 1, 2012 equals USD 35 billion Z-ECM capital required plus USD 2 billion direct allocation to Farmers.

Total capital allocated, by segment

%, as of July 1 and January 1, 2012



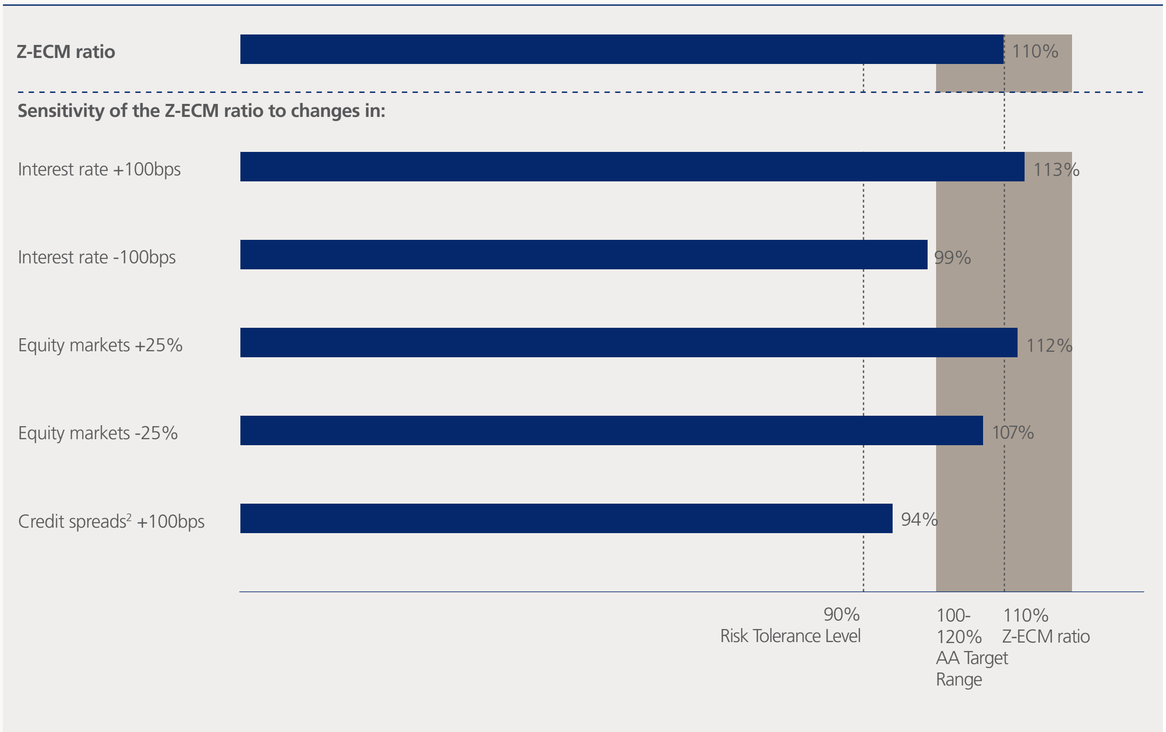
[1] The transaction with Zurich Santander and the acquisition of Zurich Insurance Malaysia Berhad is included in the total capital allocated, but is not considered in the allocation by segment.

The chart below shows the estimated impact on the Group's Z-ECM ratio of:

- A one percentage point increase/decrease in yield curves
- A 25 percent rise/decline in all stock markets, after consideration of hedges in place
- A one percentage point change in credit spreads

The sensitivities are considered separate but instantaneous scenarios.

Sensitivites for the Z-ECM ratio[1]
as of July 1, 2012

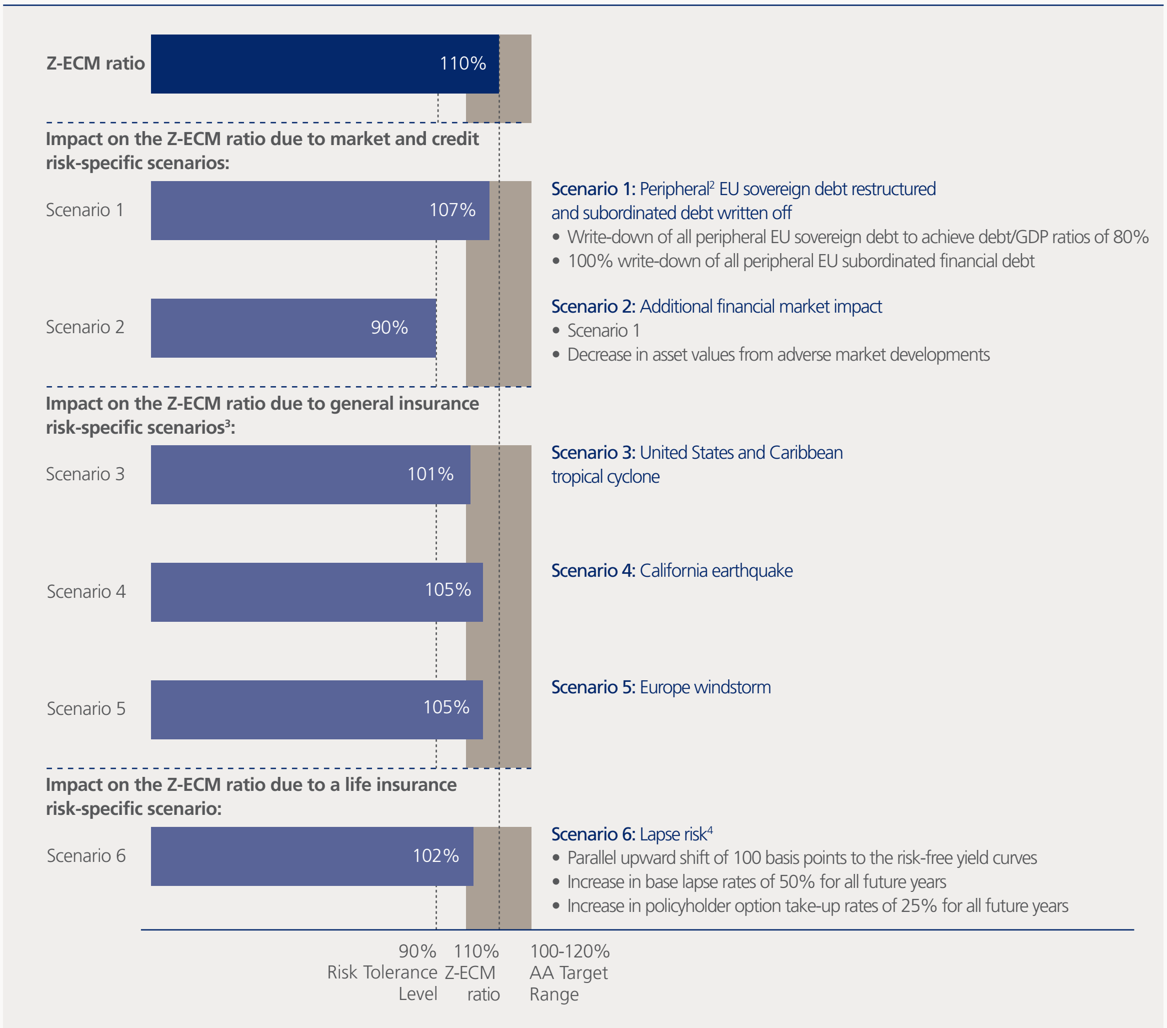


[1] Does not include sensitivities to the underlying assets and liabilities related to the transaction with Zurich Santander (for more information, see note 5 of the Consolidated financial statements). The impact of sensitivities on changes to the Z-ECM available financial resources is only approximated and only taken into account on Market/ALM risk.
[2] The credit spread sensitivity is applied to corporate debt, mortgages and Euro currency government debt (excluding Germany). The credit spread sensitivity does not take into account the buffering effect of policyholder participation.

In addition to the sensitivities shown above, the Group also evaluates certain stress scenarios on the Z-ECM ratio. Scenarios are defined as events that have a very small probability of occurrence and that could, if realized, negatively affect the Group's Z-ECM available financial resources. The chart on the following page shows three groups of scenarios: market and credit risk-specific, general insurance risk-specific and life insurance risk-specific. In the current market environment, the market and credit risk-specific scenarios particularly focus on peripheral EU debt exposure and adverse financial market impact on equity markets and interest rates in the EU. The general insurance risk-specific scenarios present the three largest natural catastrophe events to which the Group is exposed. Lapse risk represents the Group's largest life insurance risk-specific exposure.

Risk review *continued*

Impact of market, credit, and insurance scenarios on Z-ECM[1]
as of July 1, 2012



[1] The impact of scenarios on changes to the Z-ECM capital required is not included in the sensitivities for the Z-ECM ratio as the impact is expected to be small and positive. Scenario 1 and Scenario 2 do not take into account the buffering effect of policyholder participation.
[2] Greece, Ireland, Italy, Portugal and Spain
[3] The general insurance risk-specific scenarios relate to natural catastrophe events that are estimated on a modeled 250-year net aggregate loss (equivalent to a 99.6% probability of non-exceedance).
[4] The second assumption under the lapse risk scenario, "increase in base lapse rates of 50% for all future years," is applied in a similar manner as the Embedded Value sensitivity, "10% increase in voluntary discontinuance rates"; however the former is pre-tax while the latter is post-tax. (For more details, see the "Embedded value report.") Also, combining the assumptions in the lapse risk scenario introduces potential non-linear effects, which makes it difficult to directly compare the scenario with the Embedded Value sensitivity.

Conclusion

Zurich's risk management framework is well embedded in the business. It sets clear responsibilities for taking, managing, monitoring and reporting risks, and is based on a transparent risk tolerance and risk limit system approved by the Board. A very strong financial condition enabled Zurich to safely navigate a broad range of regulatory, economic and operational challenges in 2012.

Enterprise risk management

Aligned with the Group's strategic and operational planning process

In 2012, Zurich conducted more than 150 Total Risk Profiling™ exercises, allowing for a systematic assessment of risk from a strategic perspective. The Zurich Risk Policy was strengthened for various areas, including outsourcing.

The Group focused on information security, business continuity management, anti-fraud and internal control initiatives, to manage operational risk.

Processes for a well-balanced and effectively managed remuneration program were strengthened.

More details on pages 112, 113 and 147

Thought leadership

Sharing the Group's expertise to help businesses, nations and society

The Group participates in a number of international industry organizations focusing on promoting best practices in risk management, and is a main contributor to the World Economic Forum's Global Risk Report.

The report's assessment of the most pressing global risks and the interconnections among them provide valuable information for risk mitigation across the globe.

More details on pages 113–114

Financial condition

Well within the Group's target capital level that is calibrated to a 'AA' financial strength

As of June 30, 2012, the Group had a Zurich Economic Capital Model (Z-ECM) ratio of 110%, and was well above the Swiss Solvency Test requirements with a ratio of 178%. As of December 31, 2012, the Group's Solvency I ratio was 278%.

110%

Z-ECM ratio (as of July 1, 2012)

As of December 31, 2012, Zurich Insurance Company Ltd was rated AA– by Standard and Poor's, with a stable outlook.

AA–/stable

Standard & Poor's financial strength rating of Zurich Insurance Company Ltd (as of December 31, 2012)

More details on pages 149, 151, 153 and 156

Economic risk profile

Insurance-related and business risks: main drivers of the Group's required capital

As of July 1, 2012, insurance-related and business risks contributes to 51% of the Z-ECM capital required. 56% of the total capital allocated to the segments goes to General Insurance, 26% to Global Life and 9% to Farmers.

More details on page 157

End of unaudited sections.

Financial information

In this section

Consolidated financial statements

Contents

Consolidated income statements

in USD millions, for the years ended December 31	Notes	2012	Restated 2011
Revenues			
Gross written premiums		51,285	47,748
Policy fees		2,692	2,452
Gross written premiums and policy fees		53,977	50,200
Less premiums ceded to reinsurers		(6,481)	(6,550)
Net written premiums and policy fees		47,496	43,650
Net change in reserves for unearned premiums	11	(741)	(751)
Net earned premiums and policy fees		46,755	42,899
Farmers management fees and other related revenues	14	2,846	2,767
Net investment result on Group investments	6	8,911	9,367
Net investment income on Group investments		6,711	7,185
Net capital gains/(losses) and impairments on Group investments		2,201	2,182
Net investment result on unit-linked investments	6	10,268	(3,544)
Net gain/(loss) on divestments of businesses		(34)	6
Other income		1,669	1,488
Total revenues		70,414	52,983
Benefits, losses and expenses			
Insurance benefits and losses, gross of reinsurance	11	37,271	38,132
Less ceded insurance benefits and losses	11	(3,519)	(5,052)
Insurance benefits and losses, net of reinsurance	11	33,752	33,080
Policyholder dividends and participation in profits, net of reinsurance	11	11,479	(2,685)
Underwriting and policy acquisition costs, net of reinsurance	11	10,014	8,516
Administrative and other operating expense	13	8,661	8,270
Interest expense on debt	21	570	586
Interest credited to policyholders and other interest		475	479
Total benefits, losses and expenses		64,951	48,246
Net income before income taxes		5,462	4,738
Income tax expense	20	(1,496)	(963)
attributable to policyholders	20	(194)	242
attributable to shareholders	20	(1,301)	(1,204)
Net income after taxes		**3,967**	3,775
attributable to non-controlling interests		89	25
attributable to shareholders		3,878	3,750
in USD			
Basic earnings per share	22	26.44	25.70
Diluted earnings per share	22	26.31	25.50
in CHF			
Basic earnings per share	22	24.79	22.69
Diluted earnings per share	22	24.66	22.52

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

Consolidated financial statements *continued*

Consolidated statements of comprehensive income

in USD millions, for the years ended December 31	Net income attributable to shareholders	Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges
2011			
Comprehensive income for the period, as restated	3,750	332	176
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		866	207
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(644)	53
Deferred income tax (before foreign currency translation effects)		113	(71)
Foreign currency translation effects		(4)	(13)
2012			
Comprehensive income for the period	3,878	1,724	6
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		3,875	32
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(1,724)	(35)
Deferred income tax (before foreign currency translation effects)		(514)	4
Foreign currency translation effects		87	6

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

	Cumulative foreign currency translation adjustment	Total other comprehensive income recycled through profit or loss	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income not recycled through profit or loss	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Comprehensive income attributable to non-controlling interests	Total comprehensive income
	(1,461)	(954)	54	(933)	(879)	(1,832)	1,918	(37)	1,881
	(1,418)	(345)	73	(1,328)	(1,255)	(1,601)			
	(43)	(633)	–	–	–	(633)			
	–	43	(19)	352	333	376			
	–	(18)	–	44	44	26			
	(440)	1,290	–	(447)	(447)	843	4,721	136	4,856
	(484)	3,422	–	(471)	(470)	2,952			
	44	(1,715)	–	–	–	(1,715)			
	–	(511)	–	101	101	(409)			
	–	93	–	(78)	(78)	15			

Consolidated financial statements *continued*

Consolidated balance sheets

Assets

in USD millions, as of	Notes	12/31/12	Restated 12/31/11	Restated 01/01/11
Investments				
Total Group investments		208,707	197,677	195,898
Cash and cash equivalents		9,098	8,882	8,182
Equity securities		12,341	12,650	13,729
Debt securities		155,594	144,511	140,254
Real estate held for investment		8,561	8,472	8,274
Mortgage loans		10,519	11,058	11,851
Other loans		12,423	11,944	13,419
Investments in associates and joint ventures		172	161	188
Investments for unit-linked contracts		125,226	114,276	107,947
Total investments	6	333,934	311,953	303,845
Reinsurers' share of reserves for insurance contracts	8	19,753	19,592	18,816
Deposits made under assumed reinsurance contracts		2,588	2,711	2,837
Deferred policy acquisition costs	12	18,346	17,420	16,187
Deferred origination costs	12	770	824	866
Accrued investment income		2,414	2,589	2,749
Receivables and other assets	18	18,423	17,828	17,671
Mortgage loans given as collateral	15	–	223	743
Deferred tax assets	20	1,854	2,076	2,067
Assets held for sale [1]		102	54	–
Property and equipment	16	1,530	1,580	1,689
Goodwill	17	2,107	2,060	2,104
Other intangible assets	17	7,448	8,062	5,954
Total assets		**409,267**	**386,971**	**375,529**

[1] As of December 31, 2012 included land and buildings formerly classified as real estate held for investment and held for own use amounting to USD 89 million and USD 10 million, respectively. As of December 31, 2011 there are assets relating to the sale of a company in Bolivia (see note 5).

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

Liabilities and equity

in USD millions, as of	Notes	12/31/12	Restated 12/31/11	Restated 01/01/11
Liabilities				
Reserve for premium refunds		706	611	518
Liabilities for investment contracts	9	58,131	50,958	50,667
Deposits received under ceded reinsurance contracts		1,558	1,560	1,362
Deferred front-end fees		6,073	5,720	5,626
Reserves for insurance contracts	8	265,233	253,207	242,885
Obligations to repurchase securities		1,539	1,794	3,330
Accrued liabilities		3,272	3,147	3,011
Other liabilities	19	18,135	19,137	18,396
Collateralized loans	15	–	223	743
Deferred tax liabilities	20	5,238	4,569	4,482
Liabilities held for sale[1]		–	55	–
Senior debt	21	6,660	6,541	6,453
Subordinated debt	21	5,861	5,476	5,004
Total liabilities		**372,405**	**352,998**	**342,476**
Equity				
Share capital	22	11	10	10
Additional paid-in capital	22	8,172	9,907	11,630
Net unrealized gains/(losses) on available-for-sale investments		4,523	2,800	2,468
Cash flow hedges		238	232	56
Cumulative foreign currency translation adjustment		(3,022)	(2,581)	(1,120)
Revaluation reserve		180	180	126
Retained earnings		24,391	20,936	18,072
Common shareholders' equity		34,494	31,484	31,243
Preferred securities	22	–	–	475
Shareholders' equity		34,494	31,484	31,718
Non-controlling interests		2,368	2,489	1,335
Total equity		**36,862**	**33,973**	**33,053**
Total liabilities and equity		**409,267**	**386,971**	**375,529**

[1] As of December 31, 2011 included liabilities relating to the sale of a company in Bolivia (see note 5).

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

Consolidated financial statements *continued*

Consolidated statements of cash flows

in USD millions, for the years ended December 31	2012	Restated 2011
Cash flows from operating activities		
Net income attributable to shareholders	3,878	3,750
Adjustments for:		
Net (gain)/loss on divestments of businesses	34	(6)
(Income)/expense from equity method accounted investments	(18)	(12)
Depreciation, amortization and impairments of fixed and intangible assets	1,085	996
Other non-cash items	134	123
Underwriting activities:	10,358	(2,226)
Reserves for insurance contracts, gross	*5,727*	(1,162)
Reinsurers' share of reserves for insurance contracts	*80*	(730)
Liabilities for investment contracts	*5,328*	167
Deferred policy acquisition costs	*(960)*	(867)
Deferred origination costs	*89*	34
Deposits made under assumed reinsurance contracts	*125*	133
Deposits received under ceded reinsurance contracts	*(31)*	199
Investments:	(11,347)	3,050
Net capital (gains)/losses on total investments and impairments	*(10,632)*	3,119
Net change in trading securities and derivatives	*(169)*	(13)
Net change in money market investments	*341*	1,645
Sales and maturities		
Debt securities	*108,358*	109,078
Equity securities	*64,127*	52,149
Other	*39,051*	80,788
Purchases		
Debt securities	*(110,301)*	(108,346)
Equity securities	*(62,935)*	(54,555)
Other	*(39,187)*	(80,815)
Proceeds from sale and repurchase agreements	(332)	(1,572)
Movements in receivables and payables	(2,081)	494
Net changes in other operational assets and liabilities	389	(573)
Deferred income tax, net	463	(135)
Net cash provided by/(used in) operating activities	2,563	3,888

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

in USD millions, for the years ended December 31	2012	Restated 2011
Cash flows from investing activities		
Sales of property and equipment	95	49
Purchases of property and equipment	(226)	(199)
Disposal of equity method accounted investments, net	2	42
Acquisitions of companies, net of cash acquired	(97)	(977)
Divestments of companies, net of cash balances	(14)	20
Dividends from equity method accounted investments	6	3
Net cash provided by/(used in) investing activities	(234)	(1,062)
Cash flows from financing activities		
Dividends paid	(2,704)	(2,835)
Issuance of share capital	96	83
Net movement in treasury shares and preferred securities	30	7
Redemption of preferred securities and transactions with non-controlling interests	–	(476)
Issuance of debt	1,575	2,645
Repayments of debt outstanding	(1,315)	(1,863)
Net cash provided by/(used in) financing activities	(2,318)	(2,439)
Foreign currency translation effects on cash and cash equivalents	187	48
Change in cash and cash equivalents	197	436
Cash and cash equivalents as of January 1	10,162	9,726
Cash and cash equivalents as of December 31	**10,359**	**10,162**
of which:		
– cash and cash equivalents – Group investments	9,098	8,882
– cash and cash equivalents – unit linked	1,261	1,280
Other supplementary cash flow disclosures		
Other interest income received	6,852	7,270
Dividend income received	1,843	1,778
Other interest expense paid	(1,147)	(1,104)
Income taxes paid	(1,231)	(1,098)

Cash and cash equivalents

in USD millions, for years ended December 31	2012	Restated 2011
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	6,953	5,410
Cash equivalents	3,406	4,751
Total	**10,359**	**10,162**

As of December 31, 2012 and 2011, cash and cash equivalents held to meet local regulatory requirements were USD 1,345 million and USD 1,685 million, respectively.

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

Consolidated financial statements *continued*

Consolidated statements of changes in equity

in USD millions	Share capital	Additional paid-in capital	Net unrealized gains/(losses) on available-for-sale investments
Balance as of December 31, 2010, as previously reported	10	11,630	2,468
Total adjustments due to restatement	–	–	–
Balance as of December 31, 2010, as restated	10	11,630	2,468
Issuance of share capital[1]	–	211	–
Dividends to shareholders[2]	–	(1,912)	–
Redemption of preferred shares[4]	–	(15)	–
Share-based payment transactions	–	22	–
Treasury share transactions[5]	–	(30)	–
Total comprehensive income for the period, net of tax	–	–	332
Net income	–	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–	*332*
Cash flow hedges	–	–	–
Cumulative foreign currency translation adjustment	–	–	–
Revaluation reserve	–	–	–
Net actuarial gains/(losses) on pension plans	–	–	–
Net changes in capitalization of non-controlling interests	–	–	–
Balance as of December 31, 2011	10	9,907	2,800
Balance as of December 31, 2011, as previously reported	10	9,907	2,800
Total adjustments due to restatement	–	–	–
Balance as of December 31, 2011, as restated	10	9,907	2,800
Issuance of share capital[1]	–	221	–
Dividends to shareholders[3]	–	(1,923)	–
Share-based payment transactions	–	(34)	–
Treasury share transactions[5]	–	2	–
Change in ownership interests with no loss of control	–	–	–
Total comprehensive income for the period, net of tax	–	–	1,724
Net income	–	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–	*1,724*
Cash flow hedges	–	–	–
Cumulative foreign currency translation adjustment	–	–	–
Net actuarial gains/(losses) on pension plans	–	–	–
Net changes in capitalization of non-controlling interests	–	–	–
Balance as of December 31, 2012	**11**	**8,172**	**4,523**

[1] The number of common shares issued as of December 31, 2012 was 148,300,123 (December 31, 2011: 147,385,822; December 31, 2010: 146,586,896).
[2] As approved by the Annual General Meeting on March 31, 2011, the dividend of CHF 17 per share was paid out of the capital contribution reserve. The difference of USD 795 million between the dividend at transaction day exchange rates amounting to USD 2,706 million and the dividend at historical exchange rates amounting to USD 1,912 million is reflected in the cumulative foreign currency translation adjustment.
[3] As approved by the Annual General Meeting on March 29, 2012, the dividend of CHF 17 per share was paid out of the capital contribution reserve. The difference of USD 840 million between the dividend at transaction day exchange rates amounting to USD 2,763 million and the dividend at historical exchange rates amounting to USD 1,923 million is reflected in the cumulative foreign currency translation adjustment.
[4] Zurich RegCaPS Funding Trusts II, V and VI redeemed USD 575 million of Trust Capital Securities II, V and VI on March 30, 2011 (Series II), on April 4, 2011 (Series V) and on April 25, 2011 (Series VI) respectively.
[5] The number of treasury shares deducted from equity as of December 31, 2012 amounted to 1,348,395 (December 31, 2011: 1,373,392; December 31, 2010: 1,399,080).

	Cash flow hedges	Cumulative foreign currency translation adjustment	Revaluation reserve	Retained earnings	Common shareholders' equity	Preferred securities	Shareholders' equity	Non-controlling interests	Total equity
	56	(1,120)	126	18,259	31,429	475	31,905	1,336	33,241
	–	–	–	(187)	(187)	–	(187)	(1)	(188)
	56	(1,120)	126	18,072	31,243	475	31,718	1,335	33,053
	–	–	–	–	211	–	211	–	211
	–	–	–	–	(1,912)	(4)	(1,916)	(22)	(1,938)
	–	–	–	–	(15)	(462)	(476)	–	(476)
	–	–	–	–	22	–	22	–	22
	–	–	–	50	21	(14)	7	–	7
	176	(1,461)	54	2,814	1,914	4	1,918	(37)	1,881
	–	–	–	*3,746*	*3,746*	*4*	*3,750*		
	–	–	–	–	*332*	–	*332*		
	176	–	–	–	*176*	–	*176*		
	–	*(1,461)*	–	–	*(1,461)*	–	*(1,461)*		
	–	–	*54*	–	*54*	–	*54*		
	–	–	–	*(933)*	*(933)*	–	*(933)*		
	–	–	–	–	–	–	–	1,213	1,213
	232	(2,581)	180	20,936	31,484	–	31,484	2,489	33,973
	232	(2,632)	180	21,139	31,636	–	31,636	2,380	34,017
	–	51	–	(203)	(153)	–	(153)	109	(44)
	232	(2,581)	180	20,936	31,484	–	31,484	2,489	33,973
	–	–	–	–	221	–	221	–	221
	–	–	–	–	(1,923)	–	(1,923)	(43)	(1,966)
	–	–	–	–	(34)	–	(34)	–	(34)
	–	–	–	28	30	–	30	–	30
	–	–	–	(5)	(5)	–	(5)	–	(5)
	6	(440)	–	3,431	4,721	–	4,721	136	4,856
	–	–	–	*3,878*	*3,878*	–	*3,878*		
	–	–	–	–	*1,724*	–	*1,724*		
	6	–	–	–	*6*	–	*6*		
	–	*(440)*	–	–	*(440)*	–	*(440)*		
	–	–	–	*(447)*	*(447)*	–	*(447)*		
	–	–	–	–	–	–	–	(214)	(214)
	238	**(3,022)**	**180**	**24,391**	**34,494**	**–**	**34,494**	**2,368**	**36,862**

Consolidated financial statements *continued*

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

Zurich Insurance Group Ltd (formerly known as Zurich Financial Services Ltd), a Swiss corporation, is the holding company of the Group and is listed on the SIX Swiss Exchange. Zurich Insurance Group Ltd was incorporated on April 26, 2000, in Zurich, Switzerland. It is recorded in the Commercial Register of the Canton of Zurich under its registered address at Mythenquai 2, 8002 Zurich. On April 4, 2012, Zurich Financial Services Ltd was renamed to Zurich Insurance Group Ltd in line with the streamlining of its business to concentrate on insurance. The Swiss regulator FINMA and the Joint Committee of the European Supervisory Authority have also re-designated the Group from an insurance conglomerate to an insurance group. Throughout this document, Zurich Insurance Group Ltd is used consistently even if reference is made to facts that occurred prior to the renaming of the Company.

On February 13, 2013 the Board of Directors of Zurich Insurance Group Ltd authorized these Consolidated financial statements for issue. These financial statements will be submitted for approval to the Annual General Meeting of Shareholders to be held on April 4, 2013.

1. Basis of presentation

General information
The Consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law. Where IFRS does not contain clear guidance governing the accounting treatment of certain transactions including those that are specific to insurance and reinsurance products, IFRS permits reference to another comprehensive body of accounting principles that uses a similar conceptual framework. The Group's accounting policies for insurance and reinsurance contracts are therefore based on those developed by the Group before the adoption of IFRS 4 in areas where IFRS 4 did not include specific requirements. Before the time of adoption, the Group typically applied U.S. GAAP pronouncements issued by the Financial Accounting Standards Board (FASB) on insurance and reinsurance contracts. Any subsequent changes to such pronouncements are not reflected in the Group's accounting policies. In case of business combinations, the Group may decide to maintain the local statutory treatment if this does not distort the fair presentation of the financial position of the Group. If significant, the impact of such cases is described elsewhere in the notes to these Consolidated financial statements.

The accounting policies applied by the reportable segments are the same as those applied by the Group. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices, with the exception of dividends, realized capital gains and losses as well as gains and losses on transfer of net assets, which are eliminated against equity. In the Consolidated financial statements inter-segment revenues and transfers are eliminated.

Disclosures under IFRS 4 "Insurance Contracts" and IFRS 7 "Financial Instruments: Disclosures" relating to the nature and extent of risks, and capital disclosures under IAS 1 "Presentation of Financial Statements" have been included in the Risk Review on pages 111 to 161, and they form an integral part of the Consolidated financial statements.

Certain amounts recorded in the Consolidated financial statements reflect estimates and assumptions made by management about insurance liability reserves, investment valuations, interest rates and other factors. Critical accounting judgments and estimates are discussed in note 4. Actual results may differ from the estimates and assumptions made.

The Group's consolidated balance sheets are not presented using a current/non-current classification. The following balances are generally considered to be current: cash and cash equivalents, deferred policy acquisition costs on general insurance contracts, accrued investment income, receivables, reserve for premium refunds, obligations to repurchase securities and accrued liabilities.

The following balances are generally considered to be non-current: equity securities, real estate held for investment, investments in associates and joint ventures, deferred policy acquisition costs on life insurance contracts, deferred tax assets, property and equipment, goodwill, other intangible assets and deferred tax liabilities.

The following balances are mixed in nature (including both current and non-current portions): debt securities, mortgage loans, other loans, reinsurers' share of reserves for insurance contracts, deposits made under assumed reinsurance contracts, deferred origination costs, other assets, mortgage loans given as collateral, reserves and investments for unit-linked contracts, liabilities for investment contracts, deposits received under ceded reinsurance contracts, deferred front-end fees, reserves for losses and loss adjustment expenses, reserves for unearned premiums, future life policyholders' benefits, policyholders' contract deposits and other funds, other liabilities, collateralized loans, senior and subordinated debt, and assets and liabilities held for sale.

Maturity tables have been provided for the following balances: reserves for insurance contracts (tables 20a and 20b in the Risk review), liabilities for investment contracts (tables 21a and 21b in the Risk review), debt securities (table 6.4), derivative assets and derivative liabilities (tables 7.1 and 7.2), collateralized loans (table 15), other financial liabilities (table 19.2) and outstanding debt (table 21.4).

All amounts in the Consolidated financial statements, unless otherwise stated, are shown in USD, 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 rounded amounts.

Table 1.1 summarizes the principal exchange rates used for translation purposes. Net gains/(losses) on foreign currency transactions included in the consolidated income statements were USD 79 million and USD 112 million for the years ended December 31, 2012 and 2011, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD 130 million for both of the years ended December 31, 2012 and 2011.

Principal exchange rates

Table 1.1

USD per foreign currency unit	Consolidated balance sheets		Consolidated income statements and cash flows	
	12/31/2012	12/31/2011	**12/31/2012**	12/31/2011
Euro	1.3188	1.2969	1.2857	1.3927
Swiss franc	1.0928	1.0666	1.0668	1.1326
British pound	1.6272	1.5533	1.5847	1.6039

Restatements and reclassifications

In 2011, the Group completed the acquisition of the life insurance, pension and general insurance operations of Banco Santander S.A. (Santander) in Brazil, Argentina, Chile, Mexico and Uruguay (see note 5). In the Group's Consolidated financial statements 2011, total assets of USD 15.6 billion and total liabilities of USD 13.2 billion were initially included in receivables and other assets and other liabilities, respectively. The Consolidated financial statements as of December 31, 2012 include restated amounts as of December 31, 2011 to reallocate the preliminary numbers to individual balance sheet line items and for the subsequent reassessment of the initial purchase accounting. Table 1.3 shows the impact of the reclassifications as well as the updates to the initial purchase accounting on the consolidated balance sheet. Consolidated balance sheets, consolidated statements of changes in equity, consolidated statements of cash flows and notes 6, 8, 9, 12, 16, 17, 18, 19, 20, 26 and 29 have been restated accordingly.

In the course of the review related to the strengthening of reserves for losses and loss adjustment expenses in the General Insurance business in Germany, the Group determined that improper case reserving practices had resulted in errors which led to insufficient reserves for losses estimated in previous years. Additionally, the Group determined that deferred policy acquisition costs were overstated due to a system error in Germany. In aggregate, the errors identified were deemed material and have resulted in a restatement reducing total equity by USD 198 million and USD 188 million as of December 31, 2011 and January 1, 2011, respectively. For the year ended December 31, 2011 the impact on net income after taxes was a loss of USD 17 million and on business operating profit a loss of USD 18 million. The impact on various line items as of December 31, 2011 in the consolidated income statement and the consolidated balance sheet are set out in the restatement tables 1.2 and 1.3, respectively. Consolidated income statements, consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and notes 8, 11, 12, 20, 22 and 29 have been restated accordingly.

The Group erroneously classified certain life insurance products. The classification was corrected in 2012 as the impact on the Group's consolidated income statement was not material. The reclassifications in the consolidated balance sheet between liabilities for investment contracts and reserves for unit-linked contracts, and between deferred policy acquisition costs and deferred origination costs are set out in notes 8, 9 and 12.

Consolidated financial statements *continued*

The Group previously classified certain liabilities relating to non-life insurance annuities (mainly accident insurance) as policyholder contract deposits and other funds. The classification was prospectively changed in 2012 as the reclassification has no impact on the Group's consolidated balance sheet or income statement. The reclassifications from policyholder contract deposits and other funds to reserves for losses and loss adjustment expenses as well as future life policyholders' benefits are set out in note 8.

Restatement of the consolidated income statement

Table 1.2

in USD millions, for the year ended December 31, 2011	As reported	Germany	As restated
Revenues			
Gross written premiums	47,748	–	47,748
Policy fees	2,452	–	2,452
Gross written premiums and policy fees	50,200	–	50,200
Less premiums ceded to reinsurers	(6,550)	–	(6,550)
Net written premiums and policy fees	43,650	–	43,650
Net change in reserves for unearned premiums	(751)	–	(751)
Net earned premiums and policy fees	42,899	–	42,899
Farmers management fees and other related revenues	2,767	–	2,767
Net investment result on Group investments	9,367	–	9,367
Net investment income on Group investments	7,185	–	7,185
Net capital gains/(losses) and impairments on Group investments	2,182	–	2,182
Net investment result on unit-linked investments	(3,544)	–	(3,544)
Net gain/(loss) on divestments of businesses	6	–	6
Other income	1,488	–	1,488
Total revenues	52,983	–	52,983
Benefits, losses and expenses			
Insurance benefits and losses, gross of reinsurance	38,106	25	38,132
Less ceded insurance benefits and losses	(5,052)	–	(5,052)
Insurance benefits and losses, net of reinsurance	33,054	25	33,080
Policyholder dividends and participation in profits, net of reinsurance	(2,685)	–	(2,685)
Underwriting and policy acquisition costs, net of reinsurance	8,523	(7)	8,516
Administrative and other operating expense	8,270	–	8,270
Interest expense on debt	586	–	586
Interest credited to policyholders and other interest	479	–	479
Total benefits, losses and expenses	48,227	19	48,246
Net income before income taxes	4,757	(19)	4,738
Income tax expense	(965)	2	(963)
attributable to policyholders	242	–	242
attributable to shareholders	(1,206)	2	(1,204)
Net income after taxes	**3,792**	**(17)**	**3,775**
attributable to non-controlling interests	25	–	25
attributable to shareholders	3,766	(16)	3,750
in USD			
Basic earnings per share	25.81	(0.11)	25.70
Diluted earnings per share	25.61	(0.11)	25.50
in CHF			
Basic earnings per share	22.79	(0.10)	22.69
Diluted earnings per share	22.62	(0.10)	22.52

Restatement and reclassifications of the consolidated balance sheet

Table 1.3

in USD millions, as of December 31, 2011	As reported	Santander	Germany	As revised
Investments				
Total Group investments	194,385	3,293	–	197,677
Cash and cash equivalents	8,768	114	–	8,882
Equity securities	11,226	1,424	–	12,650
Debt securities	142,861	1,649	–	144,511
Real estate held for investment	8,468	4	–	8,472
Mortgage loans	11,058	–	–	11,058
Other loans	11,842	101	–	11,944
Investments in associates and joint ventures	161	–	–	161
Investments for unit-linked contracts	104,603	9,673	–	114,276
Total investments	298,988	12,965	–	311,953
Reinsurers' share of reserves for insurance contracts	19,361	231	–	19,592
Deposits made under assumed reinsurance contracts	2,711	–	–	2,711
Deferred policy acquisition costs	16,864	641	(85)	17,420
Deferred origination costs	824	–	–	824
Accrued investment income	2,589	–	–	2,589
Receivables and other assets	32,766	(14,938)	–	17,828
Mortgage loans given as collateral	223	–	–	223
Deferred tax assets	2,076	–	–	2,076
Assets held for sale	54	–	–	54
Property and equipment	1,579	1	–	1,580
Goodwill	2,060	–	–	2,060
Other intangible assets	5,774	2,288	–	8,062
Total assets	**385,869**	**1,187**	**(85)**	**386,971**
Liabilities				
Reserve for premium refunds	554	58	–	611
Liabilities for investment contracts	50,661	297	–	50,958
Deposits received under ceded reinsurance contracts	1,543	17	–	1,560
Deferred front-end fees	5,720	–	–	5,720
Reserves for insurance contracts	240,811	12,211	185	253,207
Obligations to repurchase securities	1,794	–	–	1,794
Accrued liabilities	3,110	37	–	3,147
Other liabilities	31,317	(12,179)	–	19,137
Collateralized loans	223	–	–	223
Deferred tax liabilities	4,049	592	(72)	4,569
Liabilities held for sale	55	–	–	55
Senior debt	6,541	–	–	6,541
Subordinated debt	5,476	–	–	5,476
Total liabilities	**351,852**	**1,033**	**113**	**352,998**
Equity				
Share capital	10	–	–	10
Additional paid-in capital	9,907	–	–	9,907
Net unrealized gains/(losses) on available-for-sale investments	2,800	–	–	2,800
Cash flow hedges	232	–	–	232
Cumulative translation adjustment	(2,632)	43	7	(2,581)
Revaluation reserve	180	–	–	180
Retained earnings	21,139	–	(203)	20,936
Common shareholders' equity	31,636	43	(196)	31,484
Shareholders' equity	31,636	43	(196)	31,484
Non-controlling interests	2,380	111	(2)	2,489
Total equity	**34,017**	**154**	**(198)**	**33,973**
Total liabilities and equity	**385,869**	**1,187**	**(85)**	**386,971**

Consolidated financial statements *continued*

2. New accounting standards and amendments to published accounting standards

Standards, amendments and interpretations effective or early adopted as of January 1, 2012 and relevant for the Group's operations

The following amendments to accounting standards and interpretations of standards relevant to the Group have been implemented for the financial year beginning January 1, 2012. The impact of adoption on the Group's Consolidated financial statements is disclosed in table 2.1.

Standard/Interpretation

Table 2.1

		Effective date
Amended Standards		
IFRS 7	Disclosures – Transfer of Financial Assets[1]	1 July 2011
IAS 12	Deferred Tax – Recovery of Underlying Assets[1]	1 January 2012

[1] Adoption has no significant impact on the Consolidated financial statements

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

The following standards, amendments and interpretations of existing published standards are not yet effective but are relevant to the Group's operations. The expected impact of these standards, amendments, and interpretations on the Group's Consolidated financial statements are disclosed in table 2.2. In addition to the standards and amendments listed in table 2.2 the Group will also have to incorporate amendments resulting from the IASB annual improvements project, which relate primarily to disclosure enhancements.

Standard/Interpretation

Table 2.2

		Effective date	Planned adoption date Fiscal Year
New Standards			
IFRS 10	Consolidated Financial Statements[2]	1 January 2013	2013
IFRS 11	Joint Arrangements[1]	1 January 2013	2013
IFRS 12	Disclosure of Interests in Other Entities[1]	1 January 2013	2013
IFRS 13	Fair Value Measurement[3]	1 January 2013	2013
IFRS 9	Financial Instruments[5]	1 January 2015	2015
Amended Standards			
IAS 1	Presentations of Components of Other Comprehensive Income (OCI)[1]	1 July 2012	2013
IAS 19	Employee Benefits[4]	1 January 2013	2013
IAS 27	Separate Financial Statements[1]	1 January 2013	2013
IAS 28	Investments in Associates and Joint Ventures[1]	1 January 2013	2013
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]	1 January 2013	2013
IAS 32	Offsetting Financial Assets and Financial Liabilities[1]	1 January 2014	2014

[1] Not expected to have a significant impact on the Consolidated financial statements.
[2] Expected to result in an immaterial net deconsolidation impact resulting from the additional consolidation of certain structured entities that are currently accounted for as associates and the deconsolidation of silo-structures and funds.
[3] Expected to result in a change in the fair value hierarchy disclosures.
[4] Projected expenses applying a high quality corporate bond rate rather than an expected return on assets rate would have been approximately USD 50 million lower. Additionally, impact from past service cost is immaterial.
[5] The impact on the Consolidated financial statements will be assessed in conjunction with the revised standard IFRS 4 "Insurance Contracts". Changes to the IFRS timetable may impact this approach

3. Summary of significant accounting policies

The principal accounting policies applied in these Consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

a) Consolidation principles

The Group's Consolidated financial statements include the assets, liabilities, equity, revenues, expenses and cash flows of Zurich Insurance Group Ltd and its subsidiaries. A subsidiary is an entity in which Zurich Insurance Group Ltd owns, directly or indirectly, more than 50 percent of the outstanding voting rights, or which it otherwise has the power to control. The results of subsidiaries acquired are included in the Consolidated financial statements from the date of acquisition. The results of subsidiaries that have been divested during the year are included up to the date control ceased. All significant intercompany balances, profits and transactions are eliminated in full.

Acquisition transactions with non-controlling interests are accounted for as transactions with parties external to the Group. The effect of transactions with non-controlling interests is recorded in equity if there is no change in control.

Investments in associates and partnerships where the Group has the ability to exercise significant influence but not control, as well as joint ventures where there is joint control, are accounted for using the equity method. Significant influence is presumed to exist when the Group owns, directly or indirectly, between 20 percent and 50 percent of the voting rights. Under the equity method of accounting, these investments are initially recognized at cost, including attributable goodwill, and adjusted thereafter for post-acquisition changes in the Group's share of the net assets of the investment.

The Consolidated financial statements are prepared as of December 31 based on individual company financial statements at the same date. In some cases information is included with a time lag of up to three months. The effect on the Group's Consolidated financial statements is not material.

b) Foreign currency translation and transactions

Foreign currency translation

Due to the Group's economic exposure to the U.S. dollar (USD), the presentation currency of the Group's consolidated financial statements is USD. Many Group companies use a different functional currency, being the currency of the respective primary economic environment in which these companies operate. Assets and liabilities are translated into the presentation currency at end-of-period exchange rates, while income statements and statements of cash flows are translated at average exchange rates for the period. The resulting translation differences are recorded directly in other comprehensive income (OCI) as cumulative translation adjustments.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the date of the transaction or, for practical reasons, a weighted average rate, if exchange rates do not fluctuate significantly. Foreign currency monetary items and foreign currency non-monetary items, which are carried at fair value, are translated at end-of-period exchange rates. Foreign currency non-monetary items which are carried at historical cost are translated at historical exchange rates. The resulting foreign currency differences are recorded in income, except for the following:

- when gains or losses on non-monetary items measured at fair value, such as available-for-sale equity securities, are recognized directly in OCI, any foreign currency component included in the gains or losses is also recognized directly in OCI;

- when changes in the fair value of monetary items denominated in foreign currency, such as debt securities, that are classified as available-for-sale, are analyzed between foreign currency translation differences resulting from changes in the amortized cost of the security and other fair value changes in the security. Foreign currency translation differences related to changes in amortized cost are recognized in income, and those related to other changes in fair value are recognized in OCI; and

- foreign currency translation differences arising on monetary items that form part of net investments in foreign operations are included directly in OCI as cumulative foreign currency translation adjustment.

Consolidated financial statements *continued*

c) Insurance contracts and investment contracts with discretionary participating features (DPF)

Classification

Contracts issued under which the Group accepts significant insurance risk and obligations arising from investment contracts with DPF are accounted for as insurance contracts.

The Group also issues products containing embedded options that entitle the policyholder to switch all or part of the current and future invested funds into another product issued by the Group. Where this results in the reclassification of an investment product to a product that meets the definition of an insurance contract, the previously held reserve and the related deferred origination costs are also reclassified and are accounted for in accordance with the accounting policy to be applied to the new product on a prospective basis. As a consequence, no gain or loss is recognized as a result of the reclassification of a contract from investment to insurance.

Once a contract has been classified as an insurance contract, no reclassification can be made subsequently.

Premiums

General insurance

Premiums from the sale of short-duration general insurance products are recorded when written and normally are accreted to earnings in relation to the insurance coverage provided. The unearned premium reserve represents the portion of the premiums written relating to the unexpired coverage period.

Life insurance

Premiums from traditional life insurance contracts, including participating contracts and annuity policies with life contingencies, are recognized as revenue when due from the policyholder. For single premium and limited pay contracts, premiums are recognized in income when due with any excess profit deferred and recognized in income in a constant relationship to the insurance in-force or, for annuities, the amount of expected benefit payments.

Amounts collected as premiums from investment type insurance contracts such as universal life, unit-linked and unitized with-profits contracts are reported as deposits. Revenue from these contracts consists of policy fees for the cost of insurance, administration and surrenders during the period. Front-end fees are deferred and recognized over the estimated life of the contracts.

Cash flows from certain universal life-type contracts in the Group's Spanish operations are recognized as gross written premiums and insurance benefits and losses and not as deposits.

Reserves for losses and loss adjustment expenses

Losses and loss adjustment expenses are charged to income as incurred. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses with respect to insured events that have occurred. The Group does not discount its loss reserves, other than for settled claims with fixed payment terms. Any changes in estimates are reflected in the results of operations in the period in which estimates are changed.

Reserves for life benefits

Future life policyholders' benefits represent the estimated future benefit liability for traditional life insurance policies and include the value of accumulated declared bonuses or dividends that have vested to policyholders.

The reserves for life benefits for participating traditional life insurance policies are calculated using a net level premium valuation method based on actuarial assumptions taking into account guaranteed mortality and interest rates.

The reserves for life benefits for other traditional life insurance policies are calculated using a net level premium valuation method based on actuarial assumptions including mortality, persistency, expenses and investment return including a margin for adverse deviations. These assumptions are locked-in at inception and are regularly assessed as part of the liability adequacy testing over the period of the contract.

Policyholders' contract deposits represent the estimated policy benefits for investment type insurance contracts invested in non unit-linked funds. This liability comprises the accumulation of premiums received less charges plus declared policyholder dividends.

Where unrealized gains or losses on the revaluation of available-for-sale assets arise they are recorded directly in OCI in accordance with the Group's accounting policy for such assets, with the corresponding adjustments to the reserves for life benefits and related assets also recognized directly in OCI.

Reserves for unit-linked contracts are based on the fair value of the financial instruments backing those contracts less any fees and assessments charged to the policyholders.

For products containing guarantees in respect of minimum death benefits (GMDB), retirement income benefits (GRIB) and/or annuitization options (GAO), additional liabilities are recorded in proportion to the receipt of the contracted revenues coupled with a loss adequacy test taking into account policyholder behavior and current market conditions.

For products managed on a dynamic basis, an option in IFRS 4 is used to measure the insurance liabilities using current financial and non-financial assumptions, to better reflect the way that these products are managed. Financial assets relating to these liabilities are designated as "fair value through profit or loss".

Deferred acquisition costs (DAC)

Costs that vary with and are directly related to the acquisition of new and renewal business, including for example commissions and certain underwriting and policy issue expenses, are deferred and subsequently amortized over a defined period. Certain direct response marketing costs for efforts which solicit a direct response that is specific and quantifiable are also deferred, when it can be demonstrated that such marketing results in future economic benefits.

General insurance

DAC for general insurance contracts is amortized over the period in which the related premiums written are earned.

Life insurance

DAC for traditional participating life insurance contracts is amortized over the life of the contracts based on estimated gross margins expected to be realized over the life of the contract. Estimated gross margins are updated for actual and anticipated future experience using the latest revised interest rate for the remaining benefit period. Resultant deviations are reflected in income.

DAC for other traditional life insurance and annuity contracts is amortized over the life of the contracts based on expected premiums. Expected premiums are estimated at the date of policy issue for application throughout the life of the contract, unless a premium deficiency subsequently occurs.

DAC for investment type insurance contracts such as universal life, unit-linked and unitized with-profits contracts is amortized over the life of the contracts based on estimated gross profits expected to be realized over the life of the contract. Estimated gross profits are updated for actual and anticipated future experience using either the interest rate in effect at the inception of the contracts or the latest revised interest rate for the remaining benefit period, depending on whether crediting is based on the policyholder's or on the reporting entity's investment performance. Resultant deviations are reflected in income.

Unamortized DAC for life insurance contracts accrues interest at a rate consistent with the related assumptions for reserves.

For traditional participating and investment type life insurance contracts DAC is adjusted for the impact of unrealized gains/(losses) on allocated investments that are recorded in OCI.

Liability adequacy tests

Liability adequacy testing is performed annually for groupings of contracts determined in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

General insurance

For general insurance contracts, unearned premiums are tested to determine whether they are sufficient to cover related expected losses, loss adjustment expenses, policyholder dividends, unamortized DAC and maintenance expenses using current assumptions and considering anticipated investment returns. If a premium deficiency is identified, the DAC asset for the respective grouping of contracts is written down by the amount of the deficiency. If, after writing down the DAC asset to nil, a premium deficiency still exists for the respective grouping of contracts, then a premium deficiency reserve is established for the amount of the remaining deficiency.

Consolidated financial statements *continued*

Life insurance

For life insurance contracts, the carrying amount of the existing reserve for life benefits, including any deferred front-end fees, reduced by the unamortized balance of DAC or present value of future profits of acquired insurance contracts (PVFP), is compared with the reserve for life benefits, calculated using revised assumptions for actual and anticipated experience as of the valuation date. If a deficiency is identified, the DAC or PVFP for the respective grouping of contracts is written down by the amount of the deficiency. If, after writing down the DAC or PVFP to nil, a deficiency still exists for the respective grouping of contracts, the reserve for life benefits is increased by the amount of the remaining deficiency.

Reinsurance

The Group's insurance subsidiaries cede risk in the normal course of business in order to limit the potential for losses arising from certain exposures. Reinsurance does not relieve the originating insurer of its liability. Certain Group insurance companies assume reinsurance business incidental to their normal business.

Reinsurance contracts that do not transfer significant insurance risk are accounted for using the deposit method. A deposit asset or liability is recognized based on the premium paid or received less any explicitly identified premiums or fees to be retained by the ceding company. Interest on deposits is accounted for using the effective interest rate method. Future cash flows are estimated to calculate the effective yield and revenue and expense are recorded as interest income or expense. Reinsurance deposit assets or liabilities also include funds deposited or held by the Group, under assumed or ceded reinsurance contracts, respectively, when funds are retained by the reinsured under the terms of the contract.

Reinsurance is recorded gross in the consolidated balance sheet. Reinsurance assets include balances expected to be recovered from reinsurance companies for ceded paid and unpaid losses and loss adjustment expenses, ceded unearned premiums and ceded future life policy benefits. Amounts recoverable from reinsurers are estimated in a manner consistent with the liability associated with the reinsured policy.

Reinsurance assets are assessed for impairment on a regular basis for any events that may trigger impairment. If a reinsurance asset is impaired, the carrying amount of the asset is reduced to its recoverable amount, through the use of an allowance account, and the amount of the impairment loss is recognized in income. If a decrease in the impairment loss can be related objectively to an event occurring after the impairment loss was initially recognized, the impairment loss is reversed through income.

Premiums paid under retroactive contracts are included in reinsurance recoverables in the balance sheet. If the amount of gross liabilities reinsured is higher than the premium paid, reinsurance recoverables are increased by the difference and the resulting gain is deferred and amortized over the expected settlement period. If the amount of gross liabilities reinsured is lower than the premium paid, reinsurance recoverables are reduced by the difference and the resulting loss is recognized in income immediately.

d) Liabilities for investment contracts (without DPF)

Investment contracts are those contracts that transfer no significant insurance risk. The Group issues investment contracts without fixed terms (unit-linked) and investment contracts with fixed and guaranteed terms (fixed interest rate).

Unit-linked investment contracts

These represent portfolios maintained to meet the specific investment objectives of policyholders who bear the credit, market and liquidity risks related to the investments. The liabilities are carried at fair value, with fair value being determined by reference to the underlying financial assets and changes in fair value are recorded in income. The related assets for unit-linked investment contracts are classified as designated at fair value through profit or loss in order to reduce measurement inconsistencies.

The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against the policyholders' account balances are included in policy fee revenue.

Investment contracts at amortized cost

Liabilities for investment contracts with fixed and guaranteed terms are measured at amortized cost, using the effective interest rate method. Transaction costs are included in the calculation of the effective yield. As of each reporting date, the Group re-estimates the expected future cash flows and re-calculates the carrying amount of the financial liability by computing the present value of estimated future cash flows using the original effective interest rate for the financial liability. Any adjustment is immediately recognized as income or expense.

Deferred origination costs (DOC)
The costs of acquiring new investment contracts with investment management services, such as commissions and other incremental expenses directly related to the issuance of each new contract, are capitalized and amortized in line with the revenue generated by providing investment management services. DOC is tested for recoverability annually.

e) Investments excluding derivative financial instruments
Investments include financial assets (excluding derivative financial instruments), cash and cash equivalents and real estate held for investment.

Categories and measurement of investments (excluding derivative financial instruments)
Financial assets are classified as available for sale, financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables.

The Group recognizes regular purchases and sales of financial assets on the trade date, which is the date on which the Group commits to purchase or sell the asset.

Available-for-sale financial assets
Available-for-sale financial assets are financial assets that are either designated as such or are not classified in any of the other categories.

Available-for-sale financial assets are carried at fair value, with changes in fair value recognized directly in OCI, until the securities are either sold or impaired.

The cumulative unrealized gains or losses recorded in OCI are net of cumulative deferred income taxes, certain related life policyholder liabilities and deferred acquisition costs. When available-for-sale financial assets are sold, impaired or otherwise disposed of, the cumulative gains or losses are recycled from OCI and recognized in income.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and those irrevocably designated at fair value through profit or loss at inception.

Financial assets irrevocably designated at inception at fair value through profit or loss are mainly financial assets backing unit-linked insurance contracts, unit-linked investment contracts and certain life insurance contracts with participation features. The designation of these assets at fair value through profit or loss eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or from recognizing the resultant gains and losses on them on a different basis to the liabilities.

Financial assets at fair value through profit or loss are carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value are recognized in income within net capital gains/(losses) on investments and impairments, in the period in which they arise.

Held-to-maturity investments
Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables, and for which the Group has the positive intention and ability to hold to maturity.

Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any charges for impairment.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are not classified in any of the other categories.

Loans and receivables are carried at amortized cost using the effective interest rate method, less any charges for impairment.

Other items
Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible into cash and are subject to an insignificant risk of change in fair value, for example,

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short-term investments with maturities of three months or less from the date of acquisition. Cash and cash equivalents also includes cash received as collateral for securities lending. Cash and cash equivalents are stated at face value.

Real estate held for investment is initially recorded at cost (including transaction costs) and is subsequently measured at fair value with changes in fair value recognized in income. The gain or loss on disposal of real estate held for investment is the difference between the net proceeds received and the carrying amount of the investment and is recognized in the consolidated income statement when the disposal is completed.

Impairment of financial assets (excluding derivative financial instruments)

General

The Group assesses at each reporting date whether there is objective evidence that loss events occurred which negatively affect the estimate future cash flows of a financial asset or group of financial assets.

Available-for-sale financial assets

When there is objective evidence that an available-for-sale debt security is impaired, the cumulative loss that had been recognized directly in OCI is recognized in income as an impairment loss. If the fair value of a debt security increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognized in income, the impairment loss is reversed through income, up to the amount of the previously recognized impairment loss, as adjusted for any amortization already recognized in income. Any further gains are recognized directly in OCI. Any subsequent losses, to the extent that they do not represent further impairment losses, are also recognized in OCI.

Objective evidence of impairment exists for an available-for-sale equity security when its fair value is below the weighted-average cost by a significant amount. Impairment thresholds are determined quarterly on the basis of the underlying price volatility of securities within the various equity markets in which the Group invests (such as North America, UK, Switzerland, other European countries and Asia Pacific). Additionally, the Group considers an equity security to be impaired when its fair value has been below the weighted-average cost for a prolonged period of 24 consecutive months or longer.

When there is objective evidence that an available-for-sale equity security is impaired, the cumulative loss that had been recognized directly in OCI, including any portion attributable to foreign currency changes, is recognized in income as an impairment loss. The impairment loss is the difference between the weighted-average acquisition cost (less any impairment loss on that security previously recognized in income) and the current fair value. Impairment losses on equity securities are not reversed through income, instead, when the fair value of a previously impaired equity security increases, the resulting unrealized gains are recognized through OCI. Any further decrease in fair value recorded subsequent to recognition of an impairment loss is also reclassified from OCI to income as impairment losses, together with any portion attributable to foreign currency changes, until the equity security is derecognized.

Held-to-maturity investments and loans and receivables

Generally, significant held-to-maturity financial assets are individually assessed to determine whether or not objective evidence of impairment exists. If no objective evidence of impairment exists the asset is included in a group of financial assets with similar credit risk characteristics that are collectively assessed for impairment.

Objective evidence of impairment exists if it is probable that the Group will not be able to collect principal and/or interest due according to the contractual terms of the instrument. When impairment is determined to have occurred, the carrying amount of held-to-maturity investments, loans or receivables is reduced through the use of an allowance account, and the movement in the impairment allowance is recognized as an impairment loss in income. The impairment allowance of financial assets carried at amortized cost is measured as the difference between the amortized cost of the assets and the present value of estimated future cash flows, calculated using the original effective interest rate, for fixed rate financial assets, or current effective interest rate, for variable rate financial assets. If the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through income. The amount of reversal is limited so that it does not result in a carrying amount exceeding the amortized cost that would have been calculated at the date of reversal had the impairment not been previously recognized.

f) Derivative financial instruments and hedge accounting

Derivative financial instruments, except those designated under a qualifying hedge relationship are classified as held for trading assets or liabilities and carried at fair value on the balance sheet with changes in fair value recognized in income. Derivative financial instruments include embedded derivative features which are assessed at inception of the contract and, depending on their characteristics, are measured and presented as separate derivative financial instruments.

Derivative financial instruments that qualify for hedge accounting
Derivative financial instruments are used by the Group to economically hedge risks. In limited circumstances derivative financial instruments are designated as hedging instruments for accounting purposes:

- fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability;
- cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction; or
- hedges of the net investment in a foreign operation.

All hedge relationships are formally documented, including the risk management objectives and strategy for undertaking hedge transactions. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed in order to determine whether the hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. If these conditions are not met, then the relationship does not qualify for hedge accounting, in which case the hedging instrument and the hedged item are reported independently in accordance with the respective accounting policy as if there was no hedging designation. Where hedge accounting conditions are met, the accounting treatments are as follows:

Fair value hedges
Gains or losses from re-measuring the derivative financial instruments that are designated and qualify as fair value hedges are recognized immediately in the same line item of the consolidated income statement as the offsetting change in fair value of the hedged item attributable to the risk being hedged.

Cash flow hedges
The effective portion of the gain or loss on the re-measurement of the cash flow hedging instrument is recognized directly in OCI. The ineffective portion is recognized immediately in income. The accumulated gains and losses on the hedged instrument in OCI are reclassified to income in the same period in which gains or losses on the item hedged are recognized in income.

Net investment hedges
Measurement of hedge effectiveness is based on changes in forward rates. Gains and losses on the designated hedging derivative relating to the effective portion of the hedge are directly recognized in OCI whereas the ineffective portion is immediately recognized in income. The accumulated gains and losses on the hedging instrument in OCI are reclassified to income on disposal of the foreign operation.

g) Borrowings
Borrowings (debt issued) are recognized initially at fair value of the consideration received, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in income over the period of the borrowing using the effective interest rate method.

When fair value hedge accounting is applied to borrowings, the carrying values of the borrowings are adjusted for changes in fair values related to the hedged exposure.

h) Derecognition of financial assets and liabilities
Financial assets are derecognized when the right to receive cash flows from the assets has expired, or when the Group has transferred its contractual right to receive the cash flows from the financial asset, and either

- substantially all the risks and rewards of ownership have been transferred; or
- substantially all the risks and rewards have not been retained or transferred, but control has been transferred.

Financial liabilities are derecognized when they are extinguished, which is when the obligation is discharged, cancelled or has expired.

Securities lending
Certain entities within the Group participate in securities lending arrangements whereby specific securities are loaned to other institutions, primarily banks and brokerage firms, for short periods of time. Under the terms of the securities

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lending agreements, the Group retains substantially all the risks and rewards of ownership of these loaned securities, and also retains contractual rights to the cash flows therefrom. These securities are therefore not derecognized from the Group's balance sheet. Cash received as collateral for loaned securities is recorded as an asset and a corresponding liability is established.

Repurchase and reverse repurchase transactions

Securities sold under agreements to repurchase at a specified later date (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are accounted for as collateralized financing transactions.

The securities delivered under a repurchase agreement are not derecognized from the balance sheet when all or substantially all of the risk and rewards are retained. The proceeds received are reported as a liability under obligation to repurchase securities. Interest expense is charged to income using the effective interest rate method over the life of the agreement.

Under a reverse repurchase agreement, the securities received are not recognized on the balance sheet, as long as the risk and rewards of ownership have not been transferred to the Group. The cash delivered is derecognized and a corresponding receivable is recorded and reported within "Receivables and other assets". Interest income is recognized in income using the effective interest rate method over the life of the agreement.

In cases such as events of default by a third party, it may be determined that the risks and rewards of ownership over the collateral have been obtained by the Group. At such point in time, the securities held under the reverse repurchase agreement would be recognized on the balance sheet at fair value and the original receivable as collateral would be derecognized. Any shortfall is recorded as a loss in income.

i) Property and equipment

Buildings held for own use and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss. These assets are depreciated usually on a straight-line basis to income over the following estimated useful lives:

- buildings 25 to 50 years;
- furniture and fixtures five to ten years; and
- computer equipment three to six years.

Land held for own use is carried at cost less any accumulated impairment loss.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets are grouped on a cash generating unit (CGU) level if the recoverable amount cannot be separately determined.

j) Intangible assets

Intangible assets include goodwill, present value of future profits from acquired insurance contracts, attorney-in-fact relationships, distribution agreements and other intangible assets, such as computer software licenses and capitalized software development costs.

Intangible assets with definite lives are carried at cost less accumulated amortization and impairments. They are amortized using the straight-line method over their useful lives and reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets with indefinite lives are not subject to amortization but are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and jointly controlled entities and represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the acquisition date.

Goodwill on the acquisition of subsidiaries is capitalized as a separate line and reviewed for impairment annually, or more frequently if impairment indicators are observed. For the purpose of impairment testing, goodwill is allocated to cash generating units (CGU) based on the level at which management monitors operations and makes decisions relating to the continuation or disposal of assets and operations. On this basis, as of January 1, 2011, the Group aggregates CGUs on a General Insurance segment level. Within the segments Global Life and Farmers, CGUS are identified at either business unit level or individual reporting entity level.

Goodwill on the acquisition of associates and jointly controlled entities is included in the value of equity method accounted investments and is tested for impairment as part of the overall measurement of the carrying amount of those investments.

If goodwill has been allocated to a CGU and an operation within that unit is disposed of, the carrying amount of the operation includes attributable goodwill when determining the gain or loss on disposal.

Present value of future profits from acquired insurance contracts (PVFP)

An intangible asset representing the PVFP arises from the acquisition of life insurance businesses. Such an asset has a definite life and is amortized over the expected life of the acquired contracts, following the same rules outlined for deferred acquisition costs. The carrying value of the PVFP asset is tested periodically for impairment as part of the liability adequacy test for insurance contracts.

Attorney-in-fact relationships (AIF)

The AIF reflects the ability of the Group to generate future revenues based on the Group's relationship with the Farmers Exchanges, which are managed but not owned by Farmers Group Inc. (FGI), a wholly owned subsidiary of the Group. In determining that these relationships have an indefinite useful life, the Group considered the organizational structure of inter-insurance exchanges, under which subscribers exchange contracts with each other and appoint an attorney-in-fact to provide non-claims management services, and the historical AIF between FGI and the Farmers Exchanges. The AIF is reviewed for impairment at least annually.

Distribution agreements

Distribution agreements may have useful lives extending up to 30 years which are estimated based on the period of time over which they are expected to provide economic benefits, but no longer than the contractual term, after taking into account all economic and legal factors such as stability of the industry, competitive position and the period of control over the assets.

Software

Costs associated with research and maintenance of internally developed computer software are expensed as incurred. Costs incurred during the development phase are capitalized. Software under development is tested for impairment annually.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

The useful lives of computer software licenses and capitalized internal software development costs generally do not exceed five years. In some circumstances, capitalized software development costs may be amortized over a period of up to ten years, taking into account the effects of obsolescence, technology, competition and other economic and legal factors.

k) Provisions, contingent liabilities, commitments and financial guarantees

Provisions, contingent liabilities, commitments and financial guarantees are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of such an obligation. Provisions are discounted when the effect of the time value of money is considered material.

Restructuring provisions comprise employee termination costs and costs related to onerous contracts. Restructuring provisions are recognized when the Group has a present obligation as a result of a detailed formal plan, which has been announced to those affected and the amount can be reasonably estimated.

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l) Treasury shares
Zurich Insurance Group Ltd shares held by the Group are classified as treasury shares and are deducted from shareholders' equity, net of transaction costs and tax. The nominal value of treasury shares is deducted from share capital. The difference between the nominal value and the amount paid to acquire the treasury shares, is allocated between additional paid-in capital and retained earnings. No gain or loss is recognized in the consolidated income statements on the purchase, sale, issue or cancellation of treasury shares.

m) Other revenue recognition
Farmers management fees

FGI provides non-claims related management services to the Farmers Exchanges, including risk selection, preparation and mailing of policy forms and invoices, premium collection, management of the investment portfolios and certain other administrative and managerial functions. Fees for these management services are primarily determined as a percentage of gross premiums earned by the Farmers Exchanges.

Other fees and commission income

Revenues from investment management and distribution fees are based on contractual fee arrangements applied to assets under management and recognized as earned when the service has been provided. For practical purposes, the Group recognizes these fees on a straight-line basis over the estimated life of the contract.

The Group charges its customers for asset management and other related services using the following approaches:

- Front-end fees charged to the customer at inception are used particularly for single premium contracts. The consideration received is deferred as a liability and recognized over the life of the contract on a straight-line basis.

- Regular fees charged to the customer periodically (monthly, quarterly or annually) either directly or by making a deduction from invested funds are billed in advance and recognized on a straight-line basis over the period in which the service is rendered. Fees charged at the end of the period are accrued as a receivable and are offset against the financial liability when charged to the customer.

n) Net investment income
Net investment income includes investment income earned and investment expenses incurred.

Investment income

Investment income primarily consists of interest income on debt securities, loans and receivables, dividend income on equity securities, rental income from real estate held for investment and income earned on equity method accounted investments.

For Group investments, interest income is recognized using the effective interest method. Interest income on impaired financial assets is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Dividend income is recognized when the right to receive payment is established, which is usually the ex-dividend date.

Rental income from real estate held for investment is recognized on an accrual basis.

Investment expenses

Investment expenses consist of costs relating to investment management services and operating expenses for real estate held for investment. These expenses are recognized on an accrual basis.

o) Employee benefits
Share-based compensation and cash incentive plans

The Group operates long-term incentive plans which comprise the allocation of a target number of shares and/or share options. With effect from 2011, share option grants were discontinued.

Under the Group's equity-settled share-based compensation plans, the fair value of the employee services received in exchange for the grant is determined by reference to the fair value of the shares and/or options previously granted and is recognized as an expense in income over the vesting period, with a corresponding amount recorded in additional paid-in capital.

Non-market vesting conditions (for example, profitability and revenue growth targets) are included in assumptions to determine the number of shares and/or previously options that are expected to be issued or become exercisable. At each balance sheet date, the Group revises its estimates of the number of shares and/or options that are expected to be issued or become exercisable. It recognizes the impact of the revision to original estimates, if any, in income with a corresponding adjustment to additional paid-in capital. However, no subsequent adjustment to total additional paid-in capital is made after the vesting date.

The proceeds received when the shares are delivered or options are exercised are credited, net of any directly attributable transaction costs, to share capital (nominal value) and additional paid-in capital.

Retirement benefits

Contributions to defined contribution plans are recorded as an expense in the period in which the economic benefit from the employees' service was received.

Defined benefit plan obligations and contributions are determined annually by qualified actuaries using the projected unit credit method. The Group's expense relating to these plans is accrued over the employees' service periods based upon the actuarially determined cost for the period. Actuarial gains and losses are recognized in full in the period in which they occur and are presented on a separate line in the consolidated statement of comprehensive income. To the extent that past service costs are vested, they are recognized immediately. Unrecognized past service costs represent past service costs not yet vested, and are recognized on a straight-line basis over the average vesting period.

Other post-employment benefits

Other post-employment benefits, such as medical care and life insurance, are also provided for certain employees and are primarily funded internally. Similar to retirement benefits, the cost of such benefits is accrued over the service period of the employees based on the actuarially determined cost for the period.

p) Leases

Payments made under operating leases (net of any incentives received from the lessor) are normally charged to income on a straight-line basis over the period of the lease.

Finance leases, where the Group is the lessee, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in income. Contingent rents are recognized as expenses in the period in which they are incurred.

q) Income taxes

The Group provides current tax expense according to the tax laws of each jurisdiction in which it operates. Deferred income taxes are recognized using the asset and liability method. Deferred income taxes are recorded for temporary differences, which are based on the difference between financial statement carrying amounts and income tax bases of assets and liabilities using enacted income tax rates and laws. Losses for tax purposes are treated as deferred tax assets to the extent it is probable that they can be utilized against future taxable income in the respective jurisdictions.

Current and deferred tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

Taxes payable by either the holding company or its subsidiaries on expected distributions to the holding company of the profits of subsidiaries are not recognized as deferred income taxes unless a distribution of those profits is intended in the foreseeable future.

Taxes paid by certain of the Group's life insurance businesses are based on the investment result less allowable expenses. To the extent these taxes exceed the amount that would have been payable in relation to the shareholders' share of taxable profits, it is normal practice for certain of the Group's businesses to recover this portion from policyholders. While the relevant company has the contractual right to charge policyholders for the taxes attributable to their share of the investment result less expenses, the obligation to pay the tax authority rests with the company and therefore, the full amount of tax including the portion attributable to policyholders is accounted for as income tax. Income tax expense therefore includes an element attributable to policyholders. In addition, deferred tax on unrealized gains related to certain investment contracts with DPF is included as income tax expense and an accrual for future policy fees to recover the tax charge is included in gross written premiums as policy fee revenue.

Consolidated financial statements *continued*

4. Critical accounting judgments and estimates

The application of certain accounting policies necessitates critical accounting estimates that involve discretionary judgments and the use of assumptions which are susceptible to change due to inherent uncertainties. Because of the uncertainties involved, actual results could differ significantly from the assumptions and estimates made by management. Such critical accounting estimates are of significance to insurance reserves and deferred acquisition costs, the determination of fair value for financial assets and liabilities, the determination of fair values of assets and liabilities attributable to business combinations, impairment charges, deferred taxes and employee benefits.

a) Reserves for insurance contracts and deferred acquisition costs

The Group is required to establish reserves for payment of losses and loss adjustment expenses that arise from the Group's general insurance products and the run-off of its former third party reinsurance operations. These reserves represent the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the balance sheet date. The Group establishes its reserves by product line, type and extent of coverage and year of occurrence. There are two categories of loss reserve: reserves for reported losses and reserves for incurred but not reported (IBNR) losses. Additionally, reserves are held for loss adjustment expenses, which contain the estimated legal and other expenses expected to be incurred to finalize the settlement of the losses.

The Group's reserves for reported losses and loss adjustment expenses are based on estimates of future payments to settle reported general insurance claims and claims from the run-off of its former third party reinsurance operations. The Group bases such estimates on the facts available at the time the reserves are established. These reserves are generally established on an undiscounted basis to recognize the estimated costs of bringing pending claims to final settlement. The reserve calculation takes into account inflation, as well as other factors that can influence the amount of reserves required, some of which are subjective and some of which are dependent on future events. In determining the level of reserves, the Group considers historical trends and patterns of loss payments, pending levels of unpaid claims and types of coverage. In addition, court decisions, economic conditions and public attitudes may affect the ultimate cost of settlement and, as a result, the Group's estimation of reserves. Between the reporting and final settlement of a claim circumstances may change, which may result in changes to established reserves. Items such as changes in law and interpretations of relevant case law, results of litigation, changes in medical costs, as well as costs of vehicle and home repair materials and labor rates can substantially impact ultimate settlement costs. Accordingly, the Group reviews and re-evaluates claims and reserves on a regular basis. Amounts ultimately paid for losses and loss adjustment expenses can vary significantly from the level of reserves originally set.

The Group establishes IBNR reserves, to recognize the estimated cost of losses for events which have already occurred but which have not yet been notified. These reserves are established to recognize the estimated costs required to bring such claims to final settlement. As these losses have not yet been reported, the Group relies upon historical information and statistical models, based on product line, type and extent of coverage, to estimate its IBNR liability. The Group also uses reported claim trends, claim severities, exposure growth, and other factors in estimating its IBNR reserves. These reserves are revised as additional information becomes available and as claims are actually reported.

The time required to learn of and settle claims is an important consideration in establishing the Group's reserves. Short-tail claims, such as those for automobile and property damage, are normally reported soon after the incident and are generally settled within months following the reported incident. Long-tail claims, such as bodily injury, pollution, asbestos and product liability, can take years to develop and additional time to settle. For long-tail claims, information concerning the event, such as the required medical treatment for bodily injury claims and the measures and costs required to clean up pollution, may not be readily available. Accordingly, the reserving analysis of long-tail lines of business is generally more difficult and subject to greater uncertainties than for short-tail claims.

Since the Group does not establish reserves for catastrophes in advance of the occurrence of such events, these events may cause volatility in the levels of its incurred losses and reserves, subject to the effects of reinsurance recoveries. This volatility may also be contingent upon political and legal developments after the occurrence of the event.

The Group uses a number of accepted actuarial methods to estimate and evaluate the amount of reserves recorded. The nature of the claim being reserved for and the geographic location of the claim influence the techniques used by the Group's actuaries. Additionally, the Group's Corporate Center actuaries perform periodic reserve reviews of the Group's businesses throughout the world. Management considers the results of these reviews and adjusts its reserves for losses and loss adjustment expenses, where necessary.

The reserves for future life policyholders' benefits and policyholders' contract deposits and other funds contain a number of assumptions regarding mortality or longevity, lapses, surrenders, expenses and investment returns. These assumptions can vary by country, year of issuance and product and are determined with reference to past experience adjusted for new trends, current market conditions and future expectations. As such the liabilities for future life policyholders' benefits and policyholders' contract deposits may not represent the ultimate amounts paid out to policyholders. For example:

- The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty arises because of the potential for pandemics and wide-ranging lifestyle changes, such as changes in eating, smoking and exercise habits, which could result in earlier deaths for age groups in which the Group has significant exposure to mortality risk.

- For contracts that insure the risk of longevity, such as annuity contracts, an appropriate allowance is made for people living longer. Continuing improvements in medical care and social conditions could result in further improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

- Under certain contracts, the Group has offered product guarantees (or options to take up product guarantees), including fixed minimum interest rate or mortality rate returns. In determining the value of these options and/or benefits, estimates have been made as to the percentage of contract holders that may exercise them. Changes in investment conditions could result in significantly more contract holders exercising their options and/or benefits than has been assumed.

- Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

- Assumptions are determined with reference to current and historical client data, as well as industry data. Interest rate assumptions reflect expected earnings on the assets supporting the future policyholder benefits. The information used by the Group's qualified actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies and profitability analysis.

Deferred policy acquisition costs are deferred only to the extent that they are recoverable from future policy income. Recoverability is tested at contract inception and subsequently on a regular basis with reference to current expectations of future profits or margins.

See note 8 for further information on reserves for insurance contracts and note 12 for deferred policy acquisition costs. Also refer to the insurance risk section of the Risk Review.

b) Fair value measurement

All financial assets and liabilities are recorded initially at fair value. Subsequently, available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and derivative financial instruments are carried at fair value as of the reporting date. All other financial instruments are carried at amortized cost, with their fair values disclosed in note 26.

In determining the fair values of available-for-sale financial assets and financial assets at fair value through profit or loss, the Group makes extensive use of third party pricing providers and only in rare cases places reliance on prices that are derived from internal models. One of the objectives of the Group's control environment and the process of selection of pricing providers is to ensure that fair values of investments are sourced only from independent, reliable and reputable third party pricing providers that have proper processes and controls in place to guarantee that the price quality meets the high standards that the Group expects.

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

Consolidated financial statements *continued*

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

Fair values of debt instruments issued by government entities and corporate entities are obtained from third party pricing providers. The fair value received from these pricing providers may be based on quoted prices in an active market for identical assets, alternative pricing methods such as matrix pricing or alternatively, based on an income approach employing discounted cash flow models.

Fair values of equity securities are generally based on quoted prices in an active market (i.e., exchange or dealer market) for identical assets. If such quoted prices are not available, then fair values are estimated on the basis of information from external pricing providers or internal pricing models (for example, discounted cash flow models or other recognized valuation techniques).

The Group holds certain asset classes that are not actively traded, in particular hedge funds and private equity investments. Fair values of such instruments are obtained from net asset value information and audited financial statements provided by the issuing hedge funds and private equity funds. Performance of these investments and determination of their fair value are monitored closely by the Group's in-house investment professionals.

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

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

Fair values of derivative instruments are obtained from quoted market prices, dealer price quotations, discounted cash flow models and option pricing models, which use various inputs including current market and contractual prices for underlying instruments, time to expiry, correlations, yield curves, prepayment rates and volatility of underlying instruments. Such inputs used in pricing models are generally market observable or derived from market observable data.

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

For certain financial instruments, the carrying amounts approximate their fair value because of their short term nature. Such instruments include short-term investments, receivables, obligations to repurchase securities and other short-term financial assets and liabilities.

Fair value of real estate held for investment is based on valuations performed annually by internal valuation specialists and generally on a rotation basis at least once every three years by an independent qualified appraiser. The valuation methods applied are income capitalization, discounted cash flow analysis, and market comparables taking into account the actual letting status and observable market data.

See notes 6, 7 and 26 for further information on the fair value of financial assets and liabilities.

c) Fair values of assets and liabilities attributable to business combinations

Acquired businesses are accounted for using the purchase method of accounting which requires that the assets acquired and liabilities assumed are recorded at the date of acquisition at their respective fair values. Fair values of financial assets and liabilities and insurance liabilities are determined as described in the respective sections above.

Fair values of identifiable intangible assets are based on market-participant assumptions and applicable valuation techniques, depending on the nature of the assets valued. For customer relationship and contract intangibles, including bank distribution agreements, the multi-period excess earnings or cash flow method is applied, using future cash flows expected to be generated from such assets discounted at applicable market rates. For information technology intangibles the replacement cost method is generally applied.

See note 5 for further information on the fair value of assets and liabilities attributable to business combinations.

d) Impairment of assets

Assets are subject to regular impairment reviews under the relevant IFRS standard.

Financial assets

A financial asset is considered impaired if there is objective evidence of impairment as a result of one or more occurred loss events that have an impact on the estimated future cash flows of the financial asset. The decision to record an impairment is based on a review of such evidence, for example, the issuer's current financial position and its future prospects and the national or economic conditions that correlate with defaults on the assets reviewed for impairment.

For held-to-maturity investments and loans and receivables, the recoverable amount is determined by reference to the present value of the estimated future cash flows. The carrying amount of mortgage loans and receivables is reduced through an impairment allowance determined using an analytical method based on knowledge of each loan group or receivable. The method is normally based on historical statistics, adjusted for known or anticipated trends in the group of financial assets or individual accounts. As judgment is inherent in such impairment reviews, actual outcomes could vary significantly from the forecast future cash flows.

Goodwill and Attorney-in-fact relationships (AiF)

Goodwill is allocated to the Cash Generating Units (CGU) which represent the lowest level at which goodwill is monitored for internal management purposes. For goodwill the recoverable amount is the higher of its fair value less costs to sell and its value-in-use. Fair value at a CGU level is determined, considering quoted market prices, current share values in the market place for similar publicly traded entities, and recent sale transactions of similar businesses. Value-in-use is determined using the present value of estimated future cash flows expected to be generated from or used by the CGU. Cash flow projections are based on financial budgets, which are approved by management, typically covering a three-year period or if appropriate, a longer period. Cash flows beyond this period are extrapolated using amongst others estimated perpetual growth rates. The discount rates applied reflect the respective risk free interest rate adjusted for the relevant risk factors to the extent they have not already been considered in the underlying cash flows.

CGUs are defined separately for the three main business segments, General Insurance, Global Life and Farmers. General Insurance and Farmers are considered as single worldwide CGUs. For Global Life CGUs are defined on a lower level in line with management's view of the business.

The discount rates used in the recoverable amount calculations for developed markets are based on the capital asset pricing model and consider government bond rates which are further adjusted for equity risk premium, appropriate beta and leverage ratio. In emerging markets, discount rates are based on the U.S. dollar discount rate taking into account inflation differential expectations and country risks. All input factors to the discount rates are based on observable market data.

The recoverable amount of the intangible assets with an indefinite life related to the Farmers segment (i.e. attorney-in-fact (AIF) relationships and goodwill) is determined on the basis of value-in-use calculations. These calculations use cash flow projections based on business plans which are approved by management and typically cover a three-year period.

Table 4.1 sets out the applied discount rates and the perpetual nominal growth rates (PGR) beyond the projection period which are dependent on country specific growth rate and inflation expectations for the major CGUs.

Consolidated financial statements *continued*

Table 4.1

Discount and perpetual growth rates for Goodwill by major CGUs

	Segment	in USD millions	Discount rates in % 2012	Discount rates in % 2011	Perpetual nominal growth rate in % 2012	Perpetual nominal growth rate in % 2011
Farmers	Farmers	819	8.5	8.3	–	–
General Insurance	GI	852	8.0	7.9	2.1	–
Global Life Germany	Life	275	6.7	7.1	2.0	2.0
Zurich Assurance Ltd and Openwork Holdings Ltd	Life	109	5.9	5.8	–	–

Sensitivity tests have been performed on goodwill and typically comprised of an analysis for a decrease in cash flows of up to 30 percent, a decrease in the perpetual growth rate of up to 1.0 percentage point or an increase in the discount rate of up to 3.5 percentage points in order to reflect current adverse market conditions. No impairments were identified on this basis.

Distribution agreements

The recoverable amount for General Insurance intangible assets reflecting distribution agreements is determined on the basis of value-in-use calculations. These calculations use cash flow projections in line with the terms and conditions of the underlying distribution agreements. For Global Life business distribution agreements, the recoverable amount is determined based on projected cash flows and discount rates consistent with the data used for actuarial valuations.

The discount rates used in the recoverable amount calculations for developed markets are based on the capital asset pricing model and consider government bond rates which are further adjusted for equity risk premium, appropriate beta and leverage ratio. In emerging markets, discount rates are based on the U.S. dollar discount rate taking into account inflation differential expectations and country risks. All input factors to the discount rates are based on observable market data.

Table 4.2 sets out the applied discount rates and the PGR beyond the projection period which are dependent on country specific growth rate and inflation expectations for the major distribution agreements.

Table 4.2

Discount and perpetual growth rates by major distribution agreements

	in USD millions	Range of discount rates in % 2012	Range of discount rates in % 2011	Perpetual nominal growth rate in % 2012	Perpetual nominal growth rate in % 2011
Banco Sabadell S.A. entities in Spain	1,763	9.0	4.8–8.3	2.5	2.5
Banco Santander S.A. entities in Latin America	1,852	7.8–20.1	n/a	n/a	n/a

For impairment testing purposes these distribution agreements are assessed as single assets by counterparty.

Sensitivity tests have been performed on distribution agreements and typically comprised of an analysis for a decrease in cash flows, a decrease in the perpetual growth rate or an increase in the discount rate, applying reasonably possible changes. No impairments were identified on this basis.

In light of the current economic conditions in Spain the Group, in particular, monitors whether the actual performance of the distribution agreements with Banco Sabadell S.A. are in line with the business plans.

See notes 3, 6, 15, 17 and 18 for further information on impairment of assets.

e) Deferred taxes

Deferred tax assets are recognized if sufficient future taxable income, including income from the reversal of existing taxable temporary differences and available tax planning strategies, is available for realization. The utilization of deferred tax assets arising from temporary differences depends on the generation of sufficient taxable profits in the period in which the underlying asset or liability is recovered or settled. The utilization of deferred tax assets arising from unused tax losses or tax credits depends on the generation of sufficient taxable profits before the unused tax losses or tax credits expire. As of each balance sheet date, management evaluates the recoverability of deferred tax assets and if it is considered probable, that all or a portion of the deferred tax asset will not be utilized, then a valuation allowance is recognized.

See note 20 for further information on deferred taxes.

f) Employee benefits

The Group provides defined benefit plans and other post-employment plans. In assessing the Group's liability for these plans, critical judgments include estimates of mortality rates, rates of employment turnover, disability, early retirement, discount rates, expected long-term rates of return on plan assets, future salary increases, future pension increases and increases in long-term healthcare costs. Discount rates for significant plans are based on a yield curve approach. The Group sets the discount rate by creating a hypothetical portfolio of high quality corporate bonds for which the timing and amount of cash outflows approximate the estimated payouts of the defined benefit plan. These assumptions may differ from actual results due to changing economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in variability of pension income or expense recorded in future years.

See note 23 for further information on employee benefits.

Consolidated financial statements *continued*

5. Acquisitions and divestments

Transactions in 2012

Acquisitions

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

Divestments and loss of control

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

Transactions in 2011

Acquisitions

On October 5, 2011, the Group completed the acquisition of a 51.0 percent participation in a holding company, which owns the life insurance, pension and general insurance operations of Banco Santander S.A. (Santander) in Brazil and Argentina. Between November 2, 2011 and November 4, 2011, the holding company completed the acquisition of a 100 percent participation in the life insurance, pension and general insurance operations of Santander in Chile, Mexico and Uruguay with the resulting 51.0 percent ultimate ownership for the Group. The Group obtained control over the acquired entities through its majority voting right in the holding company's board of directors and as shareholder, which together allow the Group to direct the relevant activities of the insurance operations (Zurich Santander). As part of the transaction, the Group entered into long-term strategic distribution arrangements with Santander in Latin America. This transaction is in line with the Group's emerging market strategy in both Global Life and General Insurance, and significantly expands the Group's presence in Latin America.

The initial consideration paid by the Group amounted to approximately USD 1.2 billion, subject to an estimated purchase price adjustment of USD 23 million for the purchase accounting as reflected in the Consolidated financial statements as of acquisition dates. Subsequently such estimated purchase price adjustment has decreased immaterially. The Group is still in the process of finalizing the purchase price adjustment. The Group and Santander have also entered into long term loan agreements with one of the acquired companies, whereby total funds of USD 511 million were provided in line with the shareholdings of the Group and Santander. In addition to the initial consideration, both an earn-out component based on the future profitability under the distribution agreements and a protection mechanism for the Group's initial consideration, which is based on a similar future profitability criterion, were agreed. Under the earn-out arrangement, payments are scheduled to be made after every five year period starting January 1, 2011 until December 31, 2035 by the Group, subject to the achievement of the profitability criterion. The earn-out payments which are denominated in local currency, are scheduled to increase over the 25 year period up to a cumulative maximum total amount of USD 1.6 billion, based on acquisition foreign exchange rates. On a present value basis the cumulative maximum earn-out payments amount to USD 334 million. The fair value of the earn-out liability as of acquisition date was estimated to amount to USD 99 million and was derived by a probability weighting of different profitability scenarios and by applying a local currency based discount rate.

Since acquisition the Group had in particular reassessed the value of technical reserves in Brazil, Chile and Mexico, deferred acquisition costs in Mexico and Chile and present value of future profits in Brazil, Mexico and Chile based on better available data as of the acquisition date. Total assets, including identifiable intangible assets for Global Life and General Insurance as of the acquisition dates, have been revised to USD 16.8 billion and total liabilities have been revised to USD 13.9 billion. These amounts have been allocated to individual balance sheet line items and exclude amounts reported in Other Operating Businesses. The initially recorded assets and liabilities in the Group's Consolidated financial statements 2011 have been restated as set out in note 1. The identifiable intangible assets, gross of deferred tax, comprise the value of the distribution agreements in Brazil, Argentina, Mexico and Chile amounting to USD 2.0 billion and the present value of future profits (PVFP) of acquired insurance contracts for the life insurance businesses in Brazil, Mexico and Chile of USD 309 million. Based on these numbers, the residual goodwill amounts to nil. The value of the distribution agreements and PVFP were determined on the basis of country specific in-force data, transaction projections and assumptions. The non-controlling interests are valued proportionately to the purchase price paid by the Group.

Acquisition related costs of USD 24 million were included in other administrative expenses for the year ended December 31, 2011, and were excluded from business operating profit.

Table 5.1 shows the main balance sheet line items as of the acquisition dates, representing the fair value of the Zurich Santander companies acquired.

Business combinations

Table 5.1

in USD millions, as of acquisition dates	Global Life	General Insurance	Other Operating Businesses	Total
Total Group Investments	2,959	380	3	3,342
Cash and cash equivalents	127	6	3	136
Equity securities	1,290	139	–	1,429
Debt securities	1,461	209	–	1,670
Real estate held for investment	4	–	–	4
Other loans	77	26	–	103
Investments for unit-linked contracts	9,616	–	–	9,616
Total investments	**12,575**	**380**	**3**	**12,958**
Reinsurers' share of reserves for insurance contracts	11	227	–	238
Deferred policy acquisition costs	573	67	–	640
Receivables and other assets	393	290	–	683
Distribution agreement, gross of deferred tax	1,670	337	–	2,007
Present value of future profits, gross of deferred tax	309	–	–	309
Assets acquired	15,532	1,301	3	16,835
Liabilities for investment contracts	(309)	–	–	(309)
Reserves for insurance contracts	(11,775)	(391)	–	(12,166)
Other liabilities	(540)	(297)	–	(837)
Deferred tax liabilities	(491)	(108)	–	(599)
Senior and subordinated debt	–	–	(511)	(511)
Liabilities acquired	(13,114)	(796)	(511)	(14,422)
Net assets acquired	2,417	504	(508)	2,413
Non-controlling interests				(1,183)
Total acquisition costs				1,231
Cash consideration				1,156
Fair value of contingent consideration				99
Preliminary purchase price adjustment				(23)

The financial result for the period from the acquisition dates to December 31, 2012 is included in the Group's consolidated income statement for the year ended December 31, 2012. The main income statement information for Zurich Santander is shown in table 5.2.

Consolidated financial statements *continued*

Income statement information

Table 5.2

in USD millions	Global Life	General Insurance	Core business total	Other Operating Businesses	Total
Information from acquisition to December 31, 2012					
Life insurance deposits	2,461	–	2,461	–	2,461
Gross written premiums and policy fees	2,050	720	2,770	–	2,770
Total BOP revenues	3,214	456	3,669	(18)	3,651
Business operating profit before non-controlling interests	246	120	367	(43)	323
Business operating profit after non-controlling interests	126	61	187	(22)	165
Net income after taxes before non-controlling interests					220
Net income after taxes after non-controlling interests					112
Pro forma 2011 information[1]					
Gross written premium for 12 months	2,326	677	3,003	n/a	3,003
Net income after taxes for 12 months					372

[1] Based on local GAAP information, as full year IFRS information is not available. The information is deemed to be a reasonable approximation but excludes the amortization of identifiable intangible assets and PVFP.

On September 30, 2011, the Group completed the acquisition of 100 percent of Malaysian Assurance Alliance Berhad, now known as Zurich Insurance Malaysia Berhad (ZIMB), a composite insurer based in Malaysia, together with 100 percent of four related services companies. The acquisition of ZIMB is aligned with the Group's emerging-market strategy of expanding the Group's presence in the Asia-Pacific region. The total preliminary purchase price of USD 138 million (initially USD 135 million) included an initial consideration of USD 108 million and an anticipated purchase price adjustment amounting to USD 30 million (initially USD 27 million). As of December 31, 2012, out of the initial consideration of USD 108 million, USD 63 million (initially USD 56 million) had been paid in cash, USD 45 million (initially USD 30 million) was placed in escrow and initially an amount of USD 22 million had been retained by the Group. The Group is still in the process of finalizing the purchase price adjustment. The amount in escrow is to be held for a period of two years. Based on the final purchase accounting the fair value of net tangible assets acquired amounted to USD 102 million (initially USD 113 million) and identifiable intangible assets, net of deferred tax, amounted to USD 19 million which mainly consisted of the PVFP of the acquired insurance contracts. Residual goodwill amounted to USD 17 million (initially USD 3 million), partly reflecting the future growth opportunities. In addition, the Group has injected approximately USD 135 million of capital into ZIMB immediately following the completion of the acquisition to meet regulatory capital requirements.

On July 12, 2011, as part of its preparations for local regulatory changes, the Group completed the acquisition of 75.0 percent of 2Plan Group Limited, an independent financial advice firm based in the UK. The total purchase price for the acquisition amounted to zero. The remaining 25.0 percent shareholding continues to be held by members of the founder management team who have options to sell their shareholdings to the Group at a price contingent upon the achievement of future profit targets by 2Plan Group Limited. Based on the final purchase accounting the tangible net assets acquired amounted to negative USD 5 million and identifiable intangible assets, net of deferred tax, amounted to USD 2 million consisting of software and capitalized recruitment director fees. Goodwill amounted to USD 3 million (initially USD 4 million) and reflects the future value from the Group's improved independent financial advisor proposition and technology offering in the UK.

Divestments

On January 12, 2012, the Group sold all of its shares in La Boliviana Ciacruz de Seguros y Reaseguros S.A. and Zurich Boliviana de Seguros Personales S.A. based in Bolivia, general and life insurance companies. As of December 31, 2011 these companies were classified as held for sale and the resulting loss on divestment of businesses amounted to USD 13 million.

On June 30, 2011, the Group sold all of its shares in Lonsec Limited, including three wholly owned subsidiaries, a research and broking company based in Australia, in an effort to focus on its core business lines, recording a pre-tax gain on disposal in aggregate of USD 10 million. On July 1, 2011, the Group entered into business outsourcing agreements for which a pre-tax gain of USD 9 million was realized. Total cash and net assets divested in 2011 were USD 8 million and USD 8 million, respectively. The total consideration received in 2011, net of immaterial transaction costs, amounted to USD 28 million.

6. Investments

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

Table 6.1a

Investment result for total investments

in USD millions, for the years ended December 31	Net investment income		Net capital gains/(losses) on investments and impairments		Investment result	
	2012	2011	**2012**	2011	**2012**	2011
Cash and cash equivalents	60	65	(4)	10	56	75
Equity securities	1,796	1,819	8,961	(5,193)	10,757	(3,374)
Debt securities	5,395	5,684	2,552	1,158	7,947	6,842
Real estate held for investment	816	859	(331)	(33)	485	825
Mortgage loans	428	494	(100)	(135)	328	358
Other loans	792	873	17	202	810	1,075
Investments in associates and joint ventures	18	12	1	(45)	18	(33)
Derivative financial instruments[1]	–	–	(463)	918	(463)	918
Investment result, gross	9,307	9,805	10,632	(3,119)	19,939	6,685
Investment expenses	(760)	(863)	–	–	(760)	(863)
Investment result, net	**8,547**	**8,942**	**10,632**	**(3,119)**	**19,179**	**5,823**

[1] Net capital losses on derivative financial instruments attributable to cash flow hedge ineffectiveness amounted to USD 7 million and USD 13 million for the years ended December 31, 2012 and 2011, respectively.

Rental operating expenses for real estate held for investment included in investment expenses for total investments amounted to USD 194 million and USD 203 million for the years ended December 31, 2012 and 2011, respectively.

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Investment result for Group investments

Table 6.1b

in USD millions, for the years ended December 31	Net investment income		Net capital gains/(losses) on investments and impairments		Investment result	
	2012	2011	**2012**	2011	**2012**	2011
Cash and cash equivalents	44	62	1	1	45	63
Equity securities	331	329	549	311	879	641
Debt securities	5,096	5,375	1,968	923	7,064	6,297
Real estate held for investment	506	531	12	46	517	576
Mortgage loans	428	494	(100)	(135)	328	358
Other loans	540	635	79	202	618	837
Investments in associates and joint ventures	18	12	1	(45)	18	(33)
Derivative financial instruments[1]	–	–	(307)	880	(307)	880
Investment result, gross, for Group investments	6,963	7,437	2,201	2,182	9,163	9,619
Investment expenses for Group investments	(252)	(252)	–	–	(252)	(252)
Investment result, net, for Group investments	**6,711**	**7,185**	**2,201**	**2,182**	**8,911**	**9,367**

[1] Net capital losses on derivative financial instruments attributable to cash flow hedge ineffectiveness amounted to USD 7 million and USD 13 million for the years ended December 31, 2012 and 2011, respectively.

Impairment charges on Group investments included in net capital gains/losses on investments and impairments amounted to USD 208 million and USD 458 million, including impairment charges on mortgage loans and other loans of USD 114 million and USD 133 million, for the years ended December 31, 2012 and 2011, respectively.

Investment result for unit-linked contracts

Table 6.1c

in USD millions, for the years ended December 31	Net investment income		Net capital gains/(losses) on investments		Investment result	
	2012	2011	**2012**	2011	**2012**	2011
Cash and cash equivalents	16	3	(4)	9	12	12
Equity securities	1,466	1,490	8,412	(5,505)	9,878	(4,015)
Debt securities	299	309	584	236	884	545
Real estate held for investment	310	328	(342)	(79)	(32)	249
Other loans	253	237	(62)	–	191	237
Derivative financial instruments	–	–	(157)	38	(157)	38
Investment result, gross, for unit-linked contracts	2,344	2,367	8,431	(5,302)	10,775	(2,934)
Investment expenses for unit-linked contracts	(508)	(610)	–	–	(508)	(610)
Investment result, net, for unit-linked contracts	**1,836**	**1,757**	**8,431**	**(5,302)**	**10,268**	**(3,544)**

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

Table 6.2

in USD millions, for the years ended December 31	Equity securities		Debt securities		Total	
	2012	2011	**2012**	2011	**2012**	2011
Securities at fair value through profit or loss:	8,654	(5,472)	924	777	9,578	(4,695)
Net capital gains/(losses) on Group investments	242	33	339	541	581	574
of which:						
Trading securities	*10*	12	*5*	5	*15*	17
Securities designated at fair value through profit or loss	*232*	20	*334*	537	*567*	557
Net capital gains/(losses) for unit-linked contracts	8,412	(5,505)	584	236	8,996	(5,269)
Available-for-sale securities:	307	279	1,628	382	1,935	660
Realized capital gains on Group investments	552	705	2,120	1,278	2,672	1,983
Realized capital losses on Group investments	(163)	(156)	(480)	(841)	(643)	(997)
Impairments on Group investments	(82)	(270)	(12)	(55)	(95)	(325)
Total net capital gains/(losses) and impairments	**8,961**	**(5,193)**	**2,552**	**1,158**	**11,512**	**(4,035)**

Details of total investments by category

Table 6.3a

as of December 31	Total investments			
	2012		2011	
	USD millions	**% of total**	USD millions	% of total
Cash and cash equivalents	10,359	3.1	10,162	3.3
Equity securities:				
Fair value through profit or loss	103,689	31.1	93,978	30.1
of which:				
Trading securities	*410*	*0.1*	*438*	*0.1*
Securities designated at fair value through profit or loss	*103,279*	*30.9*	*93,540*	*30.0*
Available-for-sale	8,796	2.6	8,207	2.6
Total equity securities	112,485	33.7	102,185	32.8
Debt securities:				
Fair value through profit or loss	21,047	6.3	20,605	6.6
of which:				
Trading securities	*48*	*0.0*	*42*	*0.0*
Securities designated at fair value through profit or loss	*20,999*	*6.3*	*20,563*	*6.6*
Available-for-sale	141,597	42.4	130,196	41.7
Held-to-maturity	5,012	1.5	5,535	1.8
Total debt securities	167,656	50.2	156,335	50.1
Real estate held for investment	12,041	3.6	12,370	4.0
Mortgage loans	10,519	3.1	11,058	3.5
Other loans	20,702	6.2	19,683	6.3
Investments in associates and joint ventures	172	0.1	161	0.1
Total investments	**333,934**	**100.0**	**311,953**	**100.0**

Details of Group investments by category

Table 6.3b

as of December 31	Group investments			
	2012		2011	
	USD millions	**% of total**	USD millions	% of total
Cash and cash equivalents	9,098	4.4	8,882	4.5
Equity securities:				
Fair value through profit or loss	3,545	1.7	4,443	2.2
of which:				
Trading securities	*410*	*0.2*	*438*	*0.2*
Securities designated at fair value through profit or loss	*3,135*	*1.5*	*4,006*	*2.0*
Available-for-sale	8,796	4.2	8,207	4.2
Total equity securities	12,341	5.9	12,650	6.4
Debt securities:				
Fair value through profit or loss	8,985	4.3	8,780	4.4
of which:				
Trading securities	*48*	*0.0*	*42*	*0.0*
Securities designated at fair value through profit or loss	*8,937*	*4.3*	*8,738*	*4.4*
Available-for-sale	141,597	67.8	130,196	65.9
Held-to-maturity	5,012	2.4	5,535	2.8
Total debt securities	155,594	74.6	144,511	73.1
Real estate held for investment	8,561	4.1	8,472	4.3
Mortgage loans	10,519	5.0	11,058	5.6
Other loans	12,423	6.0	11,944	6.0
Investments in associates and joint ventures	172	0.1	161	0.1
Total Group investments	**208,707**	**100.0**	**197,677**	**100.0**

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Cash and investments with a carrying value of USD 6,340 million and USD 6,227 million were deposited on behalf of regulatory authorities as of December 31, 2012 and 2011, respectively.

Securities under security lending and short-term sale and repurchase agreements

As of December 31, 2012 and 2011, respectively, investments included USD 7,751 million and USD 6,298 million of loaned securities. These loaned securities were mainly debt securities. Liabilities for cash collateral received for securities lending comprised USD 330 million and USD 159 million as of December 31, 2012 and 2011, respectively. Non-cash collateral received for loaned securities comprised mainly equity and debt securities and amounted to USD 8,085 million and USD 6,474 million as of December 31, 2012 and 2011, respectively. The Group can sell or repledge the collateral only in the event of a default by a counterparty.

As of December 31, 2012 and 2011, respectively, debt securities with a carrying value of USD 1,550 million and USD 1,807 million have been sold to financial institutions under short-term sale and repurchase agreements. These securities continue to be recognized as investments in the Group's consolidated balance sheets. Obligations to repurchase these securities amounted to USD 1,539 million and USD 1,794 million as of December 31, 2012 and 2011, respectively.

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

Table 6.3c

Details of investments held for unit-linked contracts

as of December 31	Investments for unit-linked contracts			
	2012		2011	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	1,261	1.0	1,280	1.1
Equity securities	100,144	80.0	89,535	78.3
Debt securities	12,062	9.6	11,825	10.3
Real estate	3,481	2.8	3,898	3.4
Other loans	8,279	6.6	7,739	6.8
Total investments for unit-linked contracts	**125,226**	**100.0**	**114,276**	**100.0**

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

Accrued interest on unit-linked investments included in accrued investment income amounted to USD 210 million and USD 303 million as of December 31, 2012 and December 31, 2011, respectively.

Table 6.4

Debt securities maturity schedule (total investments)

in USD millions, as of December 31	Held-to-maturity		Available-for-sale		Fair value through profit or loss	
	2012	2011	2012	2011	2012	2011
Debt securities:						
< 1 year	493	680	10,072	11,224	4,004	4,486
1 to 5 years	2,188	2,225	46,027	41,316	5,441	5,050
5 to 10 years	527	613	33,784	30,306	3,867	3,803
> 10 years	1,805	2,017	32,233	26,939	6,747	6,195
Subtotal	5,012	5,535	122,115	109,786	20,058	19,533
Mortgage and asset-backed securities:						
< 1 year	–	–	540	866	26	41
1 to 5 years	–	–	5,358	6,417	406	365
5 to 10 years	–	–	2,175	3,361	114	252
> 10 years	–	–	11,407	9,765	443	414
Subtotal	–	–	19,481	20,410	988	1,072
Total	**5,012**	**5,535**	**141,597**	**130,196**	**21,047**	**20,605**

The analysis in table 6.4 is provided by contractual maturity. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Available-for-sale securities

Table 6.5

in USD millions, as of December 31	Cost or amortized cost[1]		Gross unrealized gains		Gross unrealized losses		Fair value	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Equity securities								
Common stock	4,515	3,979	1,841	1,490	(331)	(417)	6,025	5,051
Unit trusts	2,434	2,997	398	309	(247)	(309)	2,584	2,997
Non-redeemable preferred stock	167	159	21	8	(3)	(8)	186	158
Total equity securities	**7,117**	**7,134**	**2,259**	**1,806**	**(581)**	**(733)**	**8,796**	**8,207**
Debt securities								
Swiss federal and cantonal governments	3,925	3,104	466	511	(3)	–	4,388	3,615
United Kingdom government	7,566	7,257	496	736	(8)	(3)	8,054	7,989
United States government	10,560	8,498	340	549	(55)	(42)	10,845	9,005
Other governments and supra-nationals	36,226	34,744	2,795	1,553	(350)	(1,302)	38,672	34,995
Corporate securities	55,792	52,902	5,738	3,720	(1,386)	(2,460)	60,145	54,162
Mortgage and asset-backed securities	18,838	19,713	730	939	(87)	(242)	19,481	20,410
Redeemable preferred stocks	10	37	2	1	–	(19)	12	19
Total debt securities	**132,917**	**126,255**	**10,568**	**8,008**	**(1,888)**	**(4,068)**	**141,597**	**130,196**

[1] Net of impairments (see table 6.2).

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Fair value through profit or loss securities

Table 6.6

as of December 31	Group investments				Investments for unit-linked products		Total investments	
	2012		2011		**2012**	2011	**2012**	2011
	USD millions	**% of total**	USD millions	% of total	**USD millions**	USD millions	**USD millions**	USD millions
Equity securities:								
Common stock	2,204	17.6	2,539	19.2	39,800	38,176	42,003	40,715
of which: common stock portfolios backing participating with profit policyholder contracts	*534*	*4.3*	*498*	*3.8*	–	–	*534*	*498*
Unit trusts	1,341	10.7	1,901	14.4	60,297	51,248	61,638	53,149
Non-redeemable preferred stock	–	0.0	3	0.0	47	111	47	114
Total equity securities	**3,545**	**28.3**	**4,443**	**33.6**	**100,144**	**89,535**	**103,689**	**93,978**
Debt securities:								
Debt securities	8,221	65.6	7,923	59.9	11,837	11,610	20,058	19,533
Mortgage and asset-backed securities	763	6.1	857	6.5	225	214	988	1,072
Total debt securities	**8,985**	**71.7**	**8,780**	**66.4**	**12,062**	**11,825**	**21,047**	**20,605**
Total	**12,530**	**100.0**	**13,224**	**100.0**	**112,206**	**101,359**	**124,736**	**114,583**

Held-to-maturity debt securities

Table 6.7

as of December 31	**2012**		2011	
	USD millions	**% of total**	USD millions	% of total
Swiss federal and cantonal governments	1,847	36.9	1,804	32.6
United States government	1,627	32.5	1,839	33.2
Other governments and supra-nationals	1,168	23.3	1,148	20.7
Corporate securities	370	7.4	743	13.4
Total held-to-maturity debt securities	**5,012**	**100.0**	**5,535**	**100.0**

Real estate held for investment (total investments)

Table 6.8

in USD millions	Total	
	2012	2011
As of January 1	12,370	12,355
Additions and improvements	316	267
Acquisitions	–	120
Disposals	(702)	(396)
Market value revaluation	(206)	40
Transfer from assets held for own use	–	116
Transfer to assets held for sale	(89)	–
Foreign currency translation effects	353	(133)
As of December 31	**12,041**	**12,370**

Real estate held for investment consists of investments in commercial, residential and mixed-use properties primarily located in Switzerland, Germany and the UK.

Investments in associates and joint ventures

Table 6.9

in USD millions, as of December 31	Carrying value		Share in profit		Ownership interest	
	2012	2011	**2012**	2011	**2012**	2011
Associates:						
Seven Investment Management Limited	21	19	1	2	49.00%	49.00%
Other	18	16	4	2	–	–
Joint ventures:						
MCIS Zurich Insurance Berhad	43	41	5	4	40.00%	40.00%
Other	3	3	1	1	–	–
SPEs:[1]						
Euclid Office, L.P.	32	29	2	2	99.00%	99.00%
Dallas Tower, L.P.	14	13	1	1	99.00%	99.00%
Other	42	39	4	–	–	–
Total	**172**	**161**	**18**	**12**	**–**	**–**

[1] The Group has several special purpose entities (SPEs) in the U.S. which are consolidated using the equity method as a reasonable approximation, as the equity interest is usually 99% and the investment balance approximates the value of the SPE's assets. These entities were specifically designed to facilitate U.S. commercial property sale and leaseback transactions.

Net unrealized gains/(losses) on Group investments included in other comprehensive income

Table 6.10

in USD millions, as of December 31	Total	
	2012	2011
Equity securities: available-for-sale	1,679	1,072
Debt securities: available-for-sale	8,679	3,941
Other	300	295
Less amount of net unrealized gains/(losses) on investments attributable to:		
Life policyholder dividends and other policyholder liabilities	(3,918)	(1,349)
Present value of future profits	(523)	(199)
Life deferred acquisition costs and present value of future profits	(48)	103
Deferred income taxes	(1,385)	(834)
Non-controlling interests	(23)	3
Total[1]	**4,762**	**3,032**

[1] Net unrealized gains/(losses) include net gains arising on cash flow hedges of USD 238 million and USD 232 million as of December 31, 2012 and 2011, respectively. In 2012 and 2011 the Group applied the cash flow hedge methodology to hedge foreign currency risk exposure and deferred the attributable basis spreads in shareholders' equity, whereas the fair value hedge methodology was used to hedge interest rate exposure with changes in the fair value being recorded through the income statement.

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7. Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments mainly for economic hedging purposes in order to mitigate risks. Such risks result from changes in interest rates, equity prices and exchange rates.

Table 7.1 shows the fair value and notional amounts for instruments which do not qualify for hedge accounting as of December 31, 2012 and 2011, respectively. Whilst these notional amounts express the extent of the Group's involvement in derivative transactions, they are not, however, representative of amounts at risk. Fair values for derivative financial instruments are included in the consolidated balance sheets in receivables and other assets, and other liabilities.

In certain circumstances derivative financial instruments may meet the requirements of an effective hedge for accounting purposes. Where this is the case, hedge accounting may be applied. Financial information for these instruments is set out in table 7.2.

Table 7.1

Maturity profile of notional amounts and fair values of derivative financial instruments

in USD millions, as of December 31	2012						2011		
	Maturity by notional amount			Notional amounts	Positive fair values	Negative fair values	Notional amounts	Positive fair values	Negative fair values
	< 1 year	1 to 5 years	> 5 years						
Interest rate contracts:									
OTC									
Swaps	267	1,416	3,610	5,292	349	(45)	4,274	307	(14)
Swaptions	363	4,682	4,364	9,408	242	(104)	8,012	560	(43)
Exchange traded									
Futures	8	–	–	8	–	–	997	–	–
Total interest rate contracts	**638**	**6,097**	**7,974**	**14,709**	**591**	**(148)**	**13,284**	**867**	**(58)**
Equity contracts:									
OTC									
Swaps	42	–	–	42	–	(2)	36	–	(1)
Puts	7,093	940	1,821	9,854	220	(119)	4,019	253	(264)
Calls	1,670	1,545	–	3,214	62	(81)	2,115	41	(75)
Exchange traded									
Puts	49	–	–	49	1	–	44	4	–
Calls	–	–	–	–	–	–	22	–	(1)
Futures	503	–	–	503	1	(3)	511	–	(8)
Total equity contracts	**9,358**	**2,485**	**1,821**	**13,663**	**284**	**(206)**	**6,747**	**298**	**(347)**
Foreign exchange contracts:									
OTC									
Cross currency swaps	444	–	–	444	–	(45)	423	–	(28)
Options	–	–	–	–	–	–	789	–	(11)
Forwards	13,681	–	–	13,681	45	(84)	14,205	124	(110)
Total foreign exchange contracts	**14,124**	**–**	**–**	**14,124**	**45**	**(129)**	**15,418**	**124**	**(149)**
Credit contracts:									
OTC									
Credit default swaps	–	–	–	–	–	–	160	–	(1)
Total credit contracts	**–**	**–**	**–**	**–**	**–**	**–**	**160**	**–**	**(1)**
Other contracts:									
OTC									
Puts	–	–	93	93	–	–	523	–	(52)
Swaps	–	–	66	66	–	(11)	69	–	(9)
Total other contracts	**–**	**–**	**159**	**159**	**–**	**(11)**	**591**	**–**	**(61)**
Total Group derivative financial instruments	24,120	8,582	9,955	42,656	920	(494)	36,200	1,290	(616)
Total unit-linked derivative financial instruments	1,180	879	54	2,113	62	(5)	1,886	65	(37)
Total	**25,300**	**9,461**	**10,008**	**44,769**	**982**	**(500)**	**38,085**	**1,356**	**(653)**

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Interest rate contracts

Interest rate contracts are used to hedge risks from changes in interest rates and to manage asset liability mismatches. Whenever possible the Group enters into exchange traded contracts, which are standardized and regulated. Furthermore, because of the structure of the exchanges, exchange traded contracts are not considered to carry counterparty risk. Over the counter (OTC) contracts are otherwise applied and comprise swaps and swaptions.

In terms of notional amounts, the major changes compared with December 31, 2011 were an increase of interest rate swaps related to a closed book of variable annuities products within the U.S. life business and an increase of swaptions, mainly long receiver, in order to protect the German and the Irish life insurance books against falling interest rates.

Equity contracts

Equity contracts are entered into, either on a portfolio and/or a macro level to protect equity investments against a decline in equity market prices or to manage the risk return profile of equity exposures. Most equity contracts are purchased put options.

The increase in the notional amount of put options between December 31, 2012 and December 31, 2011 was mainly driven by two new hedges to reduce the equity risk and to protect the Group against the tail risk related to the euro debt crisis. Total return swaps and exchange traded options relating to the dynamic hedging strategy that has been put in place to reduce the volatility associated with a closed book of variable annuities products within its U.S. life business.

Almost all positions are for hedging purposes. With respect to the short positions, call options are used in collar structures to mitigate the hedging costs for some life portfolios and the written put positions are part of the dynamic hedge or are fully backed by long put positions and relate only to legacy positions.

Foreign exchange contracts

Foreign exchange contracts are cross currency swaps and forward contracts which are used to hedge the Group's foreign currency exposures and to manage balance sheet mismatches. As of December 31, 2012 there was no open forward option position.

The decrease in notional amounts of foreign exchange forwards between December 31, 2011 and December 31, 2012, was mostly volume driven.

Credit contracts

As of December 31, 2012, there were no open positions for this product class, mainly as a result of matured positions.

Other contracts

Other contracts predominantly include stable value products (SVPs), which are designed to amortize on a quarterly basis investment gains and losses of the investment portfolios underlying certain life insurance policies, which are owned by banks (Bank Owned Life Insurance or BOLI) and other companies (Company Owned Life Insurance or COLI). Premiums received from policyholders under these policies are invested in separate account portfolios. Throughout the life of the policies, policyholders are entitled, in addition to mortality cover, to the tax-exempt investment returns of such separate account portfolios. The policies are long duration contracts providing charges and benefits over a policy life that can be greater than 45 years. When SVPs form part of these investment portfolios, they reduce the volatility of the policyholders' investment returns. In the event that a policy is surrendered which has a positive SVP value, the policyholder would be entitled to recover such SVP value as well as the market value of the underlying investments. Certain policy features as well as the applicable tax regulations provide disincentives for surrender. The Group monitors the risk of surrender on an ongoing basis and considers the likelihood of surrender as an input factor to the model to determine the fair value of the SVPs. During 2012, there were no surrenders compared with two policy surrenders in 2011. The fair value of the derivative liability recognized in respect of the SVPs, was nil and USD 52 million as of December 31, 2012 and 2011, respectively. The notional SVP derived value was USD 93 million and USD 523 million as of December 31, 2012 and 2011, respectively, representing the total loss before surrender charges in the unlikely event that all policies would have been surrendered on those dates.

Table 7.2 sets out details of fair value, cash flow and net investment hedges:

Table 7.2

Maturity profile of notional amounts and fair values of derivative financial instruments

in USD millions, as of December 31	Maturity by notional amount < 1 year	1 to 5 years	> 5 years	2012 Notional principal amounts	2012 Positive fair values	2012 Negative fair values	2011 Notional principal amounts	2011 Positive fair values	2011 Negative fair values
Fair value hedges:									
Cross currency interest rate swaps	672	858	–	1,530	252	–	1,518	269	–
Currency swaps	–	8	61	69	–	(40)	69	–	(38)
Interest rate swaps	–	–	1,097	1,097	37	–	–	–	–
Total fair value hedges	**672**	**865**	**1,158**	**2,695**	**288**	**(40)**	**1,588**	**269**	**(38)**
Cash flow hedges:									
Options on interest rate swaps	–	923	2,284	3,207	438	–	3,130	414	–
Currency swaps	–	1,768	–	1,768	90	–	1,768	75	(9)
Interest rate swaps	33	88	39	159	14	–	203	11	–
Total cash flow hedges	**33**	**2,779**	**2,323**	**5,135**	**542**	**–**	**5,102**	**501**	**(9)**
Net investment hedges:									
Forwards	273	–	–	273	–	(2)	–	–	–
Total net investment hedges	273	–	–	273	**–**	**(2)**	**–**	**–**	**–**

Fair value hedges

Designated fair value hedges consist of cross currency interest rate swaps used to protect the Group against changes in foreign currency exposure and interest rate exposure of euro and U.S. dollar – denominated debt issued by the Group.

A fair value hedge relationship on the EUR 500 million 4.5 percent subordinated note due June 2025 issued by Zurich Finance (USA), Inc. (see note 21), was entered into at the issuance of the debt instrument in 2005 and will end on June 15, 2015.

A fair value hedge relationship on 20 percent of the EUR 1.0 billion 4.5 percent senior note due for repayment in 2014 issued by Zurich Finance (USA), Inc. (see note 21), was entered into on January 1, 2007 and will end on the maturity of the underlying debt instrument in 2014.

A fair value hedge relationship on the USD 750 million 3.25 percent senior note due for repayment in September 2013 issued by Zurich Finance (Luxembourg), S.A. (see note 21), was entered into on April 8, 2010 and will end on the maturity of the underlying debt instrument in 2013.

A fair value hedge relationship on the CHF 400 million 1.5 percent senior note due for repayment in June 2019 issued by Zurich Insurance Company Ltd (see note 21), was entered into on June 25, 2012 and will end on the maturity of the underlying debt instrument in 2019.

A fair value hedge relationship on the EUR 500 million 3.375 percent senior note due for repayment in June 2022 issued by Zurich Insurance Company Ltd (see note 21), was entered into on June 27, 2012 and will end on the maturity of the underlying debt instrument in 2022.

The Group also has fair value hedge relationships consisting of currency swaps to protect certain non euro-denominated fixed income securities from foreign currency fluctuation.

Changes in the fair value of the derivative financial instruments designated as fair value hedges and changes in the fair value of the hedged item in relation to the risk being hedged are both recognized in income.

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Table 7.3 sets out gains and losses arising from fair value hedges:

Gains/(losses) arising from fair value hedges

Table 7.3

in USD millions, as of December 31	2012	2011
Gains/(losses)		
on hedging instruments[1]	*20*	*(6)*
on hedged items attributable to the hedged risk	*(30)*	*–*

[1] Excluding current interest income, which is recognized as an offset on the same line as the interest expense of the hedged debt.

Cash flow hedges

Designated cash flow hedges, such as options on interest rate swaps are used to protect the Group against variability of future cash flows due to changes in interest rates associated with expected future purchases of debt securities (during the years 2016, 2021 and 2026) required for certain life insurance policies. The effective portion of the gains and losses on these swaps are initially recognized in other comprehensive income. Subsequently the gains or losses will be recycled to income between the years ended December 31, 2012 and 2036. The gains and losses relating to the ineffective portion of these hedges are recognized immediately in income within net capital gains/losses on investments and impairments.

The Group also uses currency swaps for cash flow hedging to protect against exposures to variability of cash flows. The change in the fair value of the hedging instrument is recognized directly in other comprehensive income. The ineffective portion of the change in fair value is recognized directly in income within administrative and other operating expense. The effective portion, related to spot rate changes in the fair value of the hedging instrument, is reclassified to income within administrative and other operating expense as an offset to foreign currency revaluation on the underlying hedged debt.

As of December 31, 2012 the following cash flow hedge relationships were in place (see note 21):

- 80 percent of the EUR 1.0 billion 4.5 percent senior note due 2014 issued by Zurich Finance (USA), Inc. entered on January 1, 2007 ending September 17, 2014.

- 100 percent of EUR 600 million 6.5 percent senior note due October 2015 issued by Zurich Finance (USA), Inc. entered on April 14, 2009 ending October 15, 2015.

The net gains deferred in other comprehensive income on derivative financial instruments designated as cash flow hedges were USD 4 million and USD 245 million before tax for the years ended December 31, 2012 and 2011, respectively.

The portion recognized in income was a gain of USD 35 million and a loss of USD 53 million before tax for the years ended December 31, 2012 and 2011, respectively, as an offset to the foreign currency revaluation on the underlying hedged debt.

A loss of USD 7 million and USD 13 million for the years ended December 31, 2012 and 2011, respectively, was recognized in net capital gains/(losses) and impairments due to hedge ineffectiveness.

Net investment hedges

In December 2012, the Group started to apply net investment hedge accounting in order to hedge against the effects of changes in exchange rates in its net investments in foreign operations. A net hedge relationship through a foreign exchange forward with a notional amount of GBP 168 million was in place for the year ended December 31, 2012.

Net losses deferred in shareholders' equity on net investment hedges were USD 2 million before tax for the year ended December 31, 2012.

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

Reserves for insurance contracts

Table 8.1

in USD millions, as of December 31	Gross		Ceded		Net	
	2012	2011	**2012**	2011	**2012**	2011
Reserves for losses and loss adjustment expenses	69,986	67,762	(12,601)	(12,421)	57,385	55,341
Reserves for unearned premiums	17,300	17,661	(2,666)	(2,532)	14,634	15,129
Future life policyholders' benefits	83,807	80,584	(2,507)	(2,583)	81,300	78,001
Policyholders' contract deposits and other funds	20,024	18,356	(2,106)	(2,181)	17,917	16,175
Reserves for unit-linked contracts	74,117	68,844	–	–	74,117	68,844
Total reserves for insurance contracts[1]	**265,233**	**253,207**	**(19,880)**	**(19,717)**	**245,353**	**233,490**

[1] The total reserves for insurance contracts ceded are gross of allowance for uncollected amounts of USD 127 million and USD 125 million as of December 31, 2012 and December 31, 2011, respectively.

Development of reserves for losses and loss adjustment expenses

Table 8.2

in USD millions	Gross		Ceded		Net	
	2012	2011	**2012**	2011	**2012**	2011
As of January 1	67,762	68,274	(12,421)	(12,093)	55,341	56,180
Losses and loss adjustment expenses incurred:						
Current year	27,612	28,522	(3,273)	(4,755)	24,340	23,767
Prior years	(676)	(1,650)	105	347	(571)	(1,302)
Total incurred	26,936	26,873	(3,168)	(4,408)	23,769	22,465
Losses and loss adjustment expenses paid:						
Current year	(10,548)	(10,777)	694	959	(9,853)	(9,817)
Prior years	(16,230)	(16,133)	2,706	3,041	(13,525)	(13,092)
Total paid	(26,778)	(26,910)	3,400	4,000	(23,378)	(22,909)
Acquisitions/(divestments) and transfers[1]	1,217	207	(257)	(26)	960	181
Foreign currency translation effects	849	(682)	(156)	106	693	(576)
As of December 31	**69,986**	**67,762**	**(12,601)**	**(12,421)**	**57,385**	**55,341**

[1] The 2012 net movement includes a transfer of USD 1,224 million from policyholders' contract deposits and other funds, partially offset by USD (235) million relating to a reinsurance agreement which transfers the benefits and risks of some of the Group's general insurance portfolio to RiverStone Insurance (UK) Limited, and by USD (33) million transferred to future life policyholders' benefits (see note 1). The 2011 net movement relates mainly to acquisitions/divestments (see note 5).

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

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

Table 8.2 shows the development of reserves for losses and loss adjustment expenses during the years 2012 and 2011.

The increase of USD 2,044 million during the year ended December 31, 2012 in net reserves for losses and loss adjustment expenses is mostly driven by the reclassification of USD 1,224 million transferred from policyholders' contract deposits and other funds to reserves for losses and loss adjustment expenses (see note 1), and the foreign currency impact of USD 693 million. Additionally, USD 571 million of favorable reserve development emerged from reserves established in prior years. Gross of reinsurance, the favorable development was USD 676 million. This favorable development was primarily attributable to the General Insurance business segment and mainly relates to the following movements by market-facing business, country and line of business:

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- In Global Corporate, favorable development of USD 199 million was driven by Europe essentially originating from Switzerland, the UK and Ireland. The development occurred mostly in the property and engineering lines of business;
- In North America Commercial, favorable development of USD 203 million arose mostly from medical malpractice, general liability, errors and omissions and the Canadian operations;
- The personal and commercial business in Europe reported favorable prior year development of USD 90 million. The favorable development was driven by USD 435 million in Switzerland, mostly in motor, and USD 96 million in the UK and Ireland, coming from many lines of business. Partially offsetting this, Germany reported an adverse development of USD 476 million arising mainly from the medical and professional liability lines of business.

The Non-Core Businesses segment additionally added to the adverse development.

The decrease of USD 839 million during the year ended December 31, 2011 in net reserves for losses and loss adjustment expenses included USD 1,302 million of favorable reserve development emerging from reserves established in prior years. Gross of reinsurance, the favorable development was USD 1,650 million. This favorable development was primarily attributable to the General Insurance business and mainly related to the following movements by market-facing business, country and line of business:

- In Global Corporate, favorable development of USD 402 million was primarily driven by Europe and North America. In Europe, general liability and property contributed the most while in North America, the change in prior year estimates came from many lines of business with the exception of workers compensation;
- In North America Commercial, favorable development of USD 458 million arose mostly from medical malpractice, general liability, directors and officers, errors and omissions, direct markets and surety business;
- Favorable development in Europe of USD 186 million resulted primarily from favorable experience in Switzerland of USD 365 million, mostly in motor, while most other countries reported small favorable amounts. This was offset by Germany with USD 242 million of adverse development, driven by the medical and professional liability lines of business.

The remaining favorable development emerged from Group Reinsurance, International Markets, and the assumed business from the Farmers Exchanges.

Development of insurance losses, net

Table 8.3

in USD millions, as of December 31	2003	2004	2005	2006	2007	2008	2009	2010	2011	**2012**
Gross reserves for losses and loss adjustment expenses	51,068	57,765	60,425	64,535	67,890	65,218	68,126	68,274	67,762	69,986
Reinsurance recoverable	(14,055)	(14,279)	(14,231)	(13,722)	(13,179)	(12,232)	(12,182)	(12,093)	(12,421)	(12,601)
Initial net reserves for losses and loss adjustment expenses	37,013	43,486	46,194	50,814	54,712	52,986	55,944	56,180	55,341	57,385
Cumulative paid as of December 31:										
One year later	*(9,930)*	*(9,464)*	*(11,423)*	*(11,237)*	*(12,551)*	*(13,047)*	*(12,716)*	*(13,092)*	*(13,525)*	
Two years later	*(15,550)*	*(16,273)*	*(18,044)*	*(18,362)*	*(19,660)*	*(19,909)*	*(19,821)*	*(21,073)*		
Three years later	*(20,407)*	*(21,234)*	*(23,077)*	*(23,421)*	*(24,428)*	*(24,693)*	*(25,623)*			
Four years later	*(23,941)*	*(24,945)*	*(26,850)*	*(26,839)*	*(27,735)*	*(28,808)*				
Five years later	*(26,616)*	*(27,798)*	*(29,425)*	*(29,224)*	*(30,690)*					
Six years later	*(28,668)*	*(29,810)*	*(31,189)*	*(31,483)*						
Seven years later	*(30,245)*	*(31,148)*	*(33,030)*							
Eight years later	*(31,274)*	*(32,655)*								
Nine years later	*(32,423)*									
Cumulative incurred as of December 31:										
One year later	*1,964*	*141*	*(218)*	*(1,219)*	*(1,271)*	*(1,059)*	*(1,378)*	*(1,302)*	*(571)*	
Two years later	*3,400*	*1,520*	*(367)*	*(2,171)*	*(2,152)*	*(2,350)*	*(2,565)*	*(1,819)*		
Three years later	*4,991*	*1,839*	*(897)*	*(2,686)*	*(2,844)*	*(3,048)*	*(2,700)*			
Four years later	*5,241*	*1,808*	*(945)*	*(3,003)*	*(3,533)*	*(3,176)*				
Five years later	*5,457*	*2,118*	*(1,044)*	*(3,438)*	*(3,580)*					
Six years later	*6,004*	*2,194*	*(1,184)*	*(3,279)*						
Seven years later	*6,094*	*2,254*	*(841)*							
Eight years later	*6,223*	*2,686*								
Nine years later	*6,662*									
Net reserves re-estimated as of December 31:										
One year later	*38,977*	*43,627*	*45,976*	*49,594*	*53,441*	*51,927*	*54,565*	*54,878*	54,770	
Two years later	*40,413*	*45,006*	*45,827*	*48,642*	*52,559*	*50,637*	*53,379*	*54,361*		
Three years later	*42,004*	*45,325*	*45,297*	*48,127*	*51,868*	*49,939*	*53,243*			
Four years later	*42,254*	*45,294*	*45,249*	*47,811*	*51,179*	*49,810*				
Five years later	*42,470*	*45,604*	*45,150*	*47,376*	*51,131*					
Six years later	*43,017*	*45,680*	*45,010*	*47,535*						
Seven years later	*43,107*	*45,740*	*45,353*							
Eight years later	*43,236*	*46,172*								
Nine years later	*43,675*									
Cumulative (deficiency)/ redundancy of net reserves	(6,662)	(2,686)	841	3,279	3,580	3,176	2,700	1,819	571	
Cumulative (deficiency)/ redundancy as a percentage of initial net reserves	(18.0%)	(6.2%)	1.8%	6.5%	6.5%	6.0%	4.8%	3.2%	1.0%	
Gross reserves re-estimated as of December 31, 2012	60,188	61,592	60,182	60,669	63,258	60,993	64,138	65,876	67,086	
Cumulative (deficiency)/ redundancy of gross reserves	(9,120)	(3,827)	243	3,866	4,633	4,225	3,988	2,398	676	
Cumulative (deficiency)/ redundancy as a percentage of initial gross reserves	(17.9%)	(6.6%)	0.4%	6.0%	6.8%	6.5%	5.9%	3.5%	1.0%	

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Table 8.3 presents changes in the historical non-life reserves, net of reinsurance, that the Group established in 2003 and subsequent years. Reserves are presented by financial year, not by accident year. The reserves (and the development thereon) are for all accident years in that financial year. The top line of the table shows the estimated gross reserves for unpaid losses and loss adjustment expenses as of each balance sheet date, which represents the estimated amount of future payments for losses incurred in that year and in prior years. The cumulative paid portion of the table presents the cumulative amounts paid through each subsequent year in respect of the reserves established at each year end. Similarly, the cumulative incurred losses section details the sum of the cumulative paid amounts shown in the triangle above and the changes in loss reserves since the end of each financial year. The net reserves re-estimated portion of the table shows the re-estimation of the initially recorded reserve as of each succeeding year end. Reserve development is shown in each column. Changes to estimates are made as more information becomes known about the actual losses for which the initial reserves were established. The cumulative deficiency or redundancy is equal to the initial net reserves less the liability re-estimated as of December 31, 2012. It is the difference between the initial net reserve estimate and the last entry of the diagonal. Conditions and trends that have affected the development of reserves for losses and loss adjustment expenses in the past may or may not necessarily occur in the future, and accordingly, conclusions about future results cannot be derived from the information presented in table 8.3.

Development of reserves for losses and loss adjustment expenses for asbestos and environmental claims

Table 8.4

in USD millions		2012		2011
	Gross	**Net**	Gross	Net
Asbestos				
As of January 1	3,283	2,867	3,408	2,863
Losses and loss adjustment expenses incurred	51	37	42	80
Losses and loss adjustment expenses paid	(134)	(110)	(159)	(68)
Acquisitions/(divestments) and transfers[1]	–	(127)	–	–
Foreign currency translation effects	132	112	(8)	(8)
As of December 31	**3,332**	**2,779**	**3,283**	**2,867**
Environmental				
As of January 1	286	198	290	223
Losses and loss adjustment expenses incurred	67	79	36	–
Losses and loss adjustment expenses paid	(67)	(55)	(41)	(25)
Acquisitions/(divestments) and transfers[1]	–	(21)	–	–
Foreign currency translation effects	1	–	1	–
As of December 31	**288**	**202**	**286**	**198**

[1] The 2012 net movement relates to a reinsurance agreement which transfers the benefits and risks of some of the Group's general insurance portfolio to RiverStone Insurance (UK) Limited, prior to a portfolio sale until regulatory clearance is obtained.

The Group has considered asbestos and environmental, including latent injury, claims and claims expenses in establishing the reserves for losses and loss adjustment expenses. The Group continues to be advised of claims asserting injuries from toxic waste, hazardous materials and other environmental pollutants, alleged damages to cover the clean-up costs of hazardous waste dump sites relating to policies written in prior years and indemnity claims asserting injuries from asbestos. Coverage and claim settlement issues, such as determination that coverage exists and the definition of an occurrence, together with increased medical diagnostic capabilities and awareness have often caused actual loss development to exhibit more variation than in other lines. Such claims require specialized reserving techniques and the uncertainty of the ultimate cost of these types of claims has tended to be greater than the uncertainty relating to standard lines of business.

Reserves for asbestos claims increased by USD 49 million gross but decreased USD 89 million net during 2012. During 2011, the gross reserve decreased by USD 125 million but increased USD 4 million on a net basis. As a significant portion of the Group's reserves are held in British pounds, there was an increase in gross and net reserves reported for 2012 due to the strengthening of the currency compared with the U.S. dollar. Without this effect, the total gross reserve would also have decreased. In addition, in 2012, following an in-depth review of asbestos, pollution and health (APH) book of business in the U.S., gross and net reserves were strengthened. Despite these increases, the total net reserves have decreased due to a reinsurance agreement which transfers the benefits and risks of some of the Group's APH portfolio to RiverStone Insurance (UK) Limited, prior to a portfolio sale until regulatory clearance is obtained.

For 2011, there was a decrease in gross and net reserves driven by the re-estimation of the ultimate liability for asbestos as well as the normal payout of claims. In addition, the decrease in gross reserves was partially offset by the increase in UK reserves, which contributed also to the overall increase in net reserves. This increase in UK gross and net reserves followed a court ruling in Scotland and Northern Ireland related to the impact of pleural plaques losses.

Reserves for environmental claims increased by USD 2 million gross and USD 4 million net, but decreased by USD 4 million gross and by USD 25 million net during the years ended December 31, 2012 and 2011, respectively.

While the Group believes that it has made adequate provision for these claims, it is possible that future adverse development could have a material effect on the Group's results of operations, cash flows and financial position. The net reserve amounts relating to such claims are not discounted for the time value of money.

Development of future life policyholders' benefits

Table 8.5

in USD millions	Gross		Ceded		Net	
	2012	2011	**2012**	2011	**2012**	2011
As of January 1	80,584	79,315	(2,583)	(2,423)	78,001	76,891
Premiums	8,867	8,736	(541)	(511)	8,326	8,225
Claims	(9,168)	(10,463)	414	426	(8,754)	(10,036)
Fee income and other expenses	(1,789)	(2,072)	182	87	(1,608)	(1,985)
Interest and bonuses credited to policyholders	2,649	3,257	(75)	(161)	2,575	3,096
Change in assumptions	(147)	423	155	(23)	8	400
Acquisitions/transfers[1]	1,065	2,815	(14)	(7)	1,051	2,808
(Decreases)/increases recorded in other comprehensive income	167	252	–	–	167	252
Foreign currency translation effects	1,579	(1,679)	(45)	29	1,534	(1,650)
As of December 31	**83,807**	**80,584**	**(2,507)**	**(2,583)**	**81,300**	**78,001**

[1] The 2012 net movement includes USD 937 million transferred from reserves for unearned premiums, USD 66 million transferred from policyholders' contract deposits and other funds, USD 33 million transferred from loss reserves (see note 1) and USD 15 million from the acquisition of ZIMB (see note 5). The 2011 net movement includes reserves acquired with Zurich Santander of USD 1,258 million, as well as USD 1,353 million acquired with ZIMB (see note 5). Additionally it includes reclassifications of USD 212 million transferred from other liabilities, partly offset by USD (27) million transferred to liabilities for investment contracts (see note 1 of the Consolidated financial statements 2011).

Long-duration contract liabilities included in future life policyholders' benefits result primarily from traditional participating and non-participating life insurance products. Short-duration contract liabilities are primarily accident and health insurance products.

The amount of policyholder dividends to be paid is determined annually by each life insurance subsidiary. Policyholder dividends include life policyholders' share of net income and unrealized appreciation of investments that are required to be allocated by the insurance contract or by local insurance regulations. Experience adjustments relating to future policyholders' benefits and policyholders' contract deposits vary according to the type of contract and the country. Investment, mortality and morbidity results may be passed through by experience credits or as an adjustment to the premium mechanism, subject to local regulatory provisions.

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The net impact of changes in assumptions on net future life policyholders' benefits was USD 8 million and USD 400 million for the years ended December 31, 2012 and 2011, respectively. The net changes are shown in table 8.6.

Effect of changes in assumptions for future life policyholders' benefits

Table 8.6

in USD millions, for the year ended December 31	2012	2011
Interest rates	223	451
Legislative Changes	88	–
Morbidity	(1)	(38)
Longevity	(4)	(1)
Lapses	(7)	(29)
Investment return	(51)	(63)
Changes in modelling	(58)	(4)
Expense	(75)	(12)
Other	(108)	96
Net impact of changes in assumptions	**8**	**400**

Policyholders' contract deposits and other funds gross

Table 8.7

in USD millions, as of December 31	2012	2011
Annuities[1]	–	1,320
Universal life and other contracts	12,219	11,681
Policyholder dividends	7,804	5,355
Total	**20,024**	**18,356**

[1] Annuities were reclassified to reserves for losses and loss adjustment expenses and future life policyholders' benefits (see note 1).

Development of policyholders' contract deposits and other funds

Table 8.8

in USD millions	Gross		Ceded		Net	
	2012	2011	2012	2011	2012	2011
As of January 1	18,356	17,430	(2,181)	(2,246)	16,175	15,184
Premiums	1,157	1,395	(27)	(60)	1,131	1,335
Claims	(1,269)	(1,421)	211	195	(1,058)	(1,225)
Fee income and other expenses	(230)	(344)	(60)	7	(290)	(337)
Interest and bonuses credited to policyholders	708	628	(81)	(79)	627	549
Change in assumptions	–	91	–	–	–	91
Acquisitions/transfers[1]	(1,308)	373	32	–	(1,276)	373
(Decrease)/increase recorded in other comprehensive income	2,313	477	–	–	2,313	477
Foreign currency translation effects	296	(273)	(1)	2	296	(271)
As of December 31	**20,024**	**18,356**	**(2,106)**	**(2,181)**	**17,917**	**16,175**

[1] The 2012 net movement includes USD (1,224) million transferred to loss reserves and loss adjustment expenses and USD (66) million transferred to future life policyholders' benefits (see note 1). The 2011 net movement includes USD 266 million from the acquisition of ZIMB and USD 107 million from Zurich Santander (see note 5).

Development of reserves for unit-linked contracts

Table 8.9

in USD millions	2012	2011
As of January 1	68,844	61,786
Premiums	11,064	9,263
Claims	(11,434)	(8,384)
Fee income and other expenses	(1,586)	(1,689)
Interest and bonuses credited/(charged) to policyholders	6,270	(1,274)
Acquisitions/transfers[1]	154	9,714
Foreign currency translation effects	804	(571)
As of December 31	**74,117**	**68,844**

[1] The 2012 movement includes USD 151 million transferred from liabilities for investment contract liabilities (see note 1). The 2011 net movement includes USD 9,634 million from Zurich Santander and USD 221 million acquired with ZIMB (see note 5). Additionally it includes a reclassification of USD (140) million to liabilities for investment contracts (see note 1 of the Consolidated financial statements 2011).

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9. Liabilities for investment contracts

Liabilities for investment contracts

Table 9.1

in USD millions, as of December 31	**2012**	2011
Liabilities related to unit-linked investment contracts	50,923	44,220
Liabilities related to investment contracts (amortized cost)	1,305	1,131
Liabilities related to investment contracts with DPF	5,903	5,607
Total	**58,131**	**50,958**

Unit-linked investment contracts issued by the Group are recorded at a value reflecting the returns on investment funds which include selected equities, debt securities and derivative financial instruments. Policyholders bear the full risk of the returns on these investments.

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

Development of liabilities for investment contracts

Table 9.2

in USD millions	**2012**	2011
As of January 1	50,958	50,667
Premiums	7,307	7,934
Claims	(6,353)	(5,762)
Fee income and other expenses	(609)	(573)
Interest and bonuses charged/(credited) to policyholders	4,983	(1,431)
Acquisitions/transfers[1]	(150)	852
Increase/(decrease) recorded in other comprehensive income	4	(6)
Foreign currency translation effects	1,991	(723)
As of December 31	**58,131**	**50,958**

[1] The 2012 movement includes USD (151) million transferred to reserves for unit-linked contracts (see note 1). The 2011 movement includes USD 309 million from Zurich Santander (see note 5), USD 140 million transferred from reserves for unit-linked contracts, USD 246 million transferred from other liabilities, USD 135 million transferred from non-technical provisions and USD 27 million transferred from future life policyholders' benefits (see note 1 of the Consolidated financial statements 2011).

10. Equity component relating to contracts with DPF

Certain investment and insurance contracts sold by the Group contain benefit features for which the amount and timing of declaration and payment are at the discretion of the Group. Where that discretion has not been exercised, the total amount of undeclared funds surplus is included in other comprehensive income. Mandated allocations related to unrealized results and earnings are included in policyholder liabilities and, upon declaration, discretionary bonuses are allocated to policyholders. The changes in table 10 represent the increase or decrease in unallocated gains and retained earnings after charging discretionary bonuses to policyholder liabilities.

Development of the equity component relating to contracts with DPF

Table 10

in USD millions	**2012**	2011
As of January 1	1,488	2,168
Net unrealized (losses)/gains on investments	557	(676)
Current period profit	476	5
Foreign currency translation effects	39	(9)
As of December 31	**2,560**	**1,488**

11. Gross and ceded insurance revenues and expenses

Insurance benefits and losses

Table 11.1

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2012	2011	**2012**	2011	**2012**	2011
Losses and loss adjustment expenses	26,936	26,873	(3,168)	(4,408)	23,769	22,465
Life insurance death and other benefits	10,334	11,259	(351)	(644)	9,983	10,615
Total insurance benefits and losses	**37,271**	**38,132**	**(3,519)**	**(5,052)**	**33,752**	**33,080**

Policyholder dividends and participation in profits

Table 11.2

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2012	2011	**2012**	2011	**2012**	2011
Change in policyholders' contract deposits and other funds	1,210	644	(19)	(1)	1,190	643
Change in reserves for unit-linked products	6,153	(1,826)	–	–	6,153	(1,826)
Change in liabilities for investment contracts – unit-linked	4,166	(1,801)	–	–	4,166	(1,801)
Change in liabilities for investment contracts – other	233	224	–	–	233	224
Change in unit-linked liabilities related to UK capital gains tax	(264)	75	–	–	(264)	75
Total policyholder dividends and participation in profits	**11,499**	**(2,684)**	**(19)**	**(1)**	**11,479**	**(2,685)**

Underwriting and policy acquisition costs

Table 11.3

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2012	2011	**2012**	2011	**2012**	2011
Amortization of deferred acquisition costs	6,484	5,365	(536)	(506)	5,948	4,860
Amortization of deferred origination costs	168	135	–	–	168	135
Commissions and other underwriting and acquisition expenses[1]	4,283	3,802	(384)	(280)	3,898	3,522
Total underwriting and policy acquisition costs	**10,934**	**9,302**	**(920)**	**(786)**	**10,014**	**8,516**

[1] Net of additions related to deferred acquisition and origination costs.

Change in reserves for unearned premiums

Table 11.4

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2012	2011	**2012**	2011	**2012**	2011
Change in reserves for unearned premiums	**845**	**932**	**(103)**	**(181)**	**741**	**751**

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12. Deferred policy acquisition costs and deferred origination costs

Table 12.1

Development of deferred policy acquisition costs

in USD millions	General Insurance		Global Life		Other segments[1]		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
As of January 1	3,482	3,332	13,584	12,686	353	169	17,420	16,187
Acquisition costs deferred	3,355	3,107	2,656	1,909	898	714	6,908	5,730
Amortization	(3,240)	(2,977)	(1,744)	(1,339)	(914)	(530)	(5,898)	(4,846)
Impairments	(39)	(14)	(11)	–	–	–	(50)	(14)
Amortization charged/(credited) to other comprehensive income	–	–	(314)	(21)	–	–	(314)	(21)
Acquisitions/divestments/transfers[2]	(3)	67	(5)	573	–	–	(8)	640
Foreign currency translation effects	(13)	(33)	301	(223)	–	–	288	(256)
As of December 31	**3,543**	**3,482**	**14,466**	**13,584**	**337**	**353**	**18,346**	**17,420**

[1] Net of eliminations from inter-segment transactions.
[2] The 2012 movement includes USD 5 million transferred to deferred origination costs in Global Life (see note 1) and USD 3 million in General Insurance mainly as a consequence of the loss of control over one of the Group's subsidiaries (see note 5). The 2011 movement includes the acquisition of Zurich Santander (see note 5).

Impairments in 2012 include USD 39 million, following a reassessment of the deferred policy acquisition costs in the General Insurance business in Germany.

As of December 31, 2012 and 2011, deferred policy acquisition costs related to non-controlling interests were USD 572 million and USD 499 million, respectively.

Table 12.2

Development of deferred origination costs

in USD millions	**2012**	2011
As of January 1	824	866
Origination costs deferred	79	101
Amortization	(168)	(135)
Transfers[1]	5	–
Foreign currency translation effects	29	(9)
As of December 31	**770**	**824**

[1] The 2012 movement consists of USD 5 million transferred from deferred policy acquisition costs (see note 1).

13. Administrative and other operating expense

Administrative and other operating expense

Table 13

in USD millions, for the years ended December 31	2012	2011
Wages and salaries	3,330	3,276
Other employee benefits	706	565
Amortization and impairments of intangible assets	874	805
Depreciation and impairments of property and equipment	210	191
Rent, leasing and maintenance	431	453
Marketing costs	212	209
Life recurring commission	365	386
Asset and other non-income taxes	131	58
IT costs	845	804
Litigation and settlement costs	97	77
Restructuring costs	210	222
Foreign currency translation	(53)	(157)
Other	1,302	1,380
Total	**8,661**	**8,270**

Table 13 reflects the costs by nature after allocation of certain costs, in particular wages and salaries as well as other employee benefits, on a functional basis.

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14. Farmers management fees and other related revenues

Farmers management fees and other related revenues

Table 14

in USD millions, for the years ended December 31	2012	2011
Farmers management fees and other related revenues	**2,846**	**2,767**

Farmers Group, Inc. and its subsidiaries (FGI) through its attorney-in-fact (AIF) relationship with the Farmers Exchanges, which are managed but not owned by Farmers Group, Inc., a wholly owned subsidiary of the Group, is contractually permitted to receive a management fee of 20 percent (25 percent in the case of the Fire Insurance Exchange) of the gross premiums earned by the Farmers Exchanges.

FGI has historically charged a lower management fee than the amount allowed by contract. The range of fees has varied by line of business over time and from year to year. The gross earned premiums of the Farmers Exchanges were USD 18,703 million and USD 18,149 million for the years ended December 31, 2012 and 2011, respectively.

15. Mortgage loans given as collateral and collateralized loans

As part of the Deutscher Herold transaction in 2002, the Group acquired various mortgage loans. In 2012 the remaining mortgage loans were redeemed in line with the original contract terms.

Deutscher Herold had previously sold these loans to credit institutions while retaining the related credit and interest risk. Therefore the loans had not been derecognized from the consolidated balance sheets and the transaction was reflected as a collateralized borrowing. Accordingly, the loans were recorded as mortgage loans given as collateral and the liability to credit institutions as collateralized loans.

Table 15 shows the maturity schedule of collateralized loans as of December 31, 2011.

Maturity schedule – collateralized loans

Table 15

in USD millions, as of December 31	2011	
	Carrying value[1]	Undiscounted cash flows[2]
< 1 year	113	113
2 to 3 years	42	42
3 to 4 years	12	12
4 to 5 years	2	2
> 5 years	54	54
Total	**223**	**223**

[1] Allocation to the time bands is based on the expected maturity date.
[2] Based on the earliest contractual maturity.

16. Property and equipment

Property and equipment – current period

Table 16.1

in USD millions	Land held for own use	Buildings held for own use	Furniture and fixtures	Computer equipment	Other equipment	Total
Gross carrying value as of January 1, 2012	325	1,057	575	559	694	3,210
Less: accumulated depreciation/impairments	–	(348)	(423)	(464)	(395)	(1,630)
Net carrying value as of January 1, 2012	325	709	152	95	299	1,580
Additions and improvements	–	15	39	35	137	226
Disposals	(5)	(21)	(7)	(7)	(42)	(82)
Transfers	(7)	(3)	15	–	(15)	(9)
Depreciation and impairments	(7)	(33)	(43)	(44)	(84)	(210)
Foreign currency translation effects	7	15	1	–	3	26
Net carrying value as of December 31, 2012	**313**	**682**	**158**	**79**	**299**	**1,530**
Plus: accumulated depreciation/impairments	7	378	348	442	346	1,520
Gross carrying value as of December 31, 2012	**320**	**1,060**	**506**	**520**	**645**	**3,050**

Property and equipment – prior period

Table 16.2

in USD millions	Land held for own use	Buildings held for own use	Furniture and fixtures	Computer equipment	Other equipment	Total
Gross carrying value January 1, 2011	352	1,201	471	582	828	3,435
Less: accumulated depreciation/impairments	(1)	(424)	(364)	(486)	(471)	(1,745)
Net carrying value January 1, 2011	352	777	107	96	357	1,689
Additions and improvements	–	7	51	48	93	199
Acquisitions[1]	18	63	4	–	1	86
Disposals	(5)	(10)	(1)	(1)	(28)	(44)
Transfers	(37)	(86)	33	(2)	(53)	(144)
Depreciation and impairments	(1)	(33)	(41)	(45)	(71)	(191)
Foreign currency translation effects	(3)	(8)	(2)	(1)	(1)	(15)
Net carrying value as of December 31, 2011	**325**	**709**	**152**	**95**	**299**	**1,580**
Plus: accumulated depreciation/impairments	–	348	423	464	395	1,630
Gross carrying value as of December 31, 2011	**325**	**1,057**	**575**	**559**	**694**	**3,210**

[1] Related to the acquisition of Zurich Santander and ZIMB (see note 5).

The fire insurance value of the Group's own-use property and equipment totaled USD 3,036 million and USD 2,917 million as of December 31, 2012 and 2011, respectively.

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17. Goodwill and other intangible assets

Intangible assets – current period

Table 17.1

in USD millions	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other intangible assets	Total
Gross carrying value as of January 1, 2012	2,186	2,824	4,562	1,025	4,210	190	14,997
Less: accumulated amortization/impairments	(126)	(1,640)	(430)	–	(2,593)	(86)	(4,876)
Net carrying value as of January 1, 2012	2,060	1,184	4,132	1,025	1,616	104	10,121
Additions and transfers	22	–	36	–	482	–	539
Divestments and transfers	(1)	–	(137)	–	(4)	–	(143)
Amortization	–	(205)	(213)	–	(392)	(13)	(822)
Amortization charged to other comprehensive income	–	(149)	–	–	–	–	(149)
Impairments	–	–	–	–	(51)	(1)	(52)
Foreign currency translation effects	27	13	(3)	–	19	3	59
Net carrying value as of December 31, 2012	**2,107**	**844**	**3,815**	**1,025**	**1,670**	**94**	**9,555**
Plus: accumulated amortization/impairments	132	2,047	620	–	2,747	125	5,671
Gross carrying value as of December 31, 2012	**2,239**	**2,890**	**4,435**	**1,025**	**4,418**	**219**	**15,226**

As of December 31, 2012, intangible assets relating to non-controlling interests were USD 201 million for the present value of future profits (PVFP) of acquired insurance contracts, USD 1,789 million for distribution agreements and USD 11 million for software.

Additions to goodwill of USD 14 million relates to the acquisition of ZIMB in 2011, resulting from an increase in the anticipated purchase price adjustment and finalization of the purchase accounting (see note 5) and an increase of USD 8 million relating to the increase of an earn out liability in Brazil.

New distribution agreements in General Insurance operations in Brazil, to gain access to the mass consumer market, and in Global Life operations in the Middle East, resulted in additions of USD 36 million.

The loss of control over one of the Group's subsidiaries resulted in the derecognition of the related assets and liabilities, including a goodwill asset of USD 1 million and USD 137 million of distribution agreements (see note 5).

Intangible assets by segment – current period

Table 17.2

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

Intangible assets – prior period

Table 17.3

in USD millions	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other intangible assets	Total
Gross carrying value as of January 1, 2011	2,241	2,528	2,607	1,025	3,967	195	12,563
Less: accumulated amortization/impairments	(136)	(1,622)	(326)	–	(2,344)	(76)	(4,505)
Net carrying value as of January 1, 2011	2,104	906	2,281	1,025	1,623	119	8,059
Additions and transfers	51	332	2,082	–	560	1	3,026
Divestments and transfers[1]	(12)	–	–	–	–	–	(12)
Amortization	–	(114)	(127)	–	(432)	(14)	(686)
Amortization charged to other comprehensive income	–	82	–	–	–	–	82
Impairments	–	–	–	–	(119)	–	(119)
Foreign currency translation effects	(84)	(23)	(103)	–	(15)	(2)	(228)
Net carrying value as of December 31, 2011	**2,060**	**1,184**	**4,132**	**1,025**	**1,616**	**104**	**10,121**
Plus: accumulated amortization/impairments	126	1,640	430	–	2,593	86	4,876
Gross carrying value as of December 31, 2011	**2,186**	**2,824**	**4,562**	**1,025**	**4,210**	**190**	**14,997**

[1] The reduction in Goodwill is mainly a result of a revised earn-out calculation within one of the Group's Spanish General Insurance operations and the classification as held for sale of the Group's operation in Bolivia.

As of December 31, 2011, intangible assets related to non-controlling interests were USD 277 million for the present value of future profits (PVFP) of acquired insurance contracts, USD 1,950 million for distribution agreements and USD 5 million for software.

Additions to goodwill of USD 33 million related to the acquisition of Compagnie Libanaise d'Assurances SAL. The acquisition of several smaller companies generated a further USD 12 million of goodwill and earn-out payments to Deutsche Bank Group for the acquisition of Zurich Life and Pensions S.p.A. Italy (formerly DWS Vita S.p.A.) increased goodwill by USD 6 million.

A long term strategic arrangement over a 25 year period with Banco Santander S.A. in Latin America significantly expanded the Group's presence in this emerging market and resulted in new distribution agreements totalling USD 2,007 million within both the Global Life and General Insurance operations in Mexico, Brazil, Chile and Argentina. This transaction also resulted in additions to PVFP amounting to USD 309 million in Mexico, Brazil and Chile. In addition, the acquisition of ZIMB resulted in an addition to PVFP amounting to USD 24 million (see note 5).

Extensions of existing distribution agreements also resulted in net additions of USD 28 million in the Global Life insurance operations in Italy, USD 14 million in the General Insurance operations in Turkey and USD 5 million in the Global Life insurance operations in Spain. New distribution agreements to gain access to the mass consumer market in Brazil added a further USD 28 million.

The decision to decentralize its direct insurance efforts in the Group's General Insurance operations in Switzerland and Spain was the main driver of software impairments, resulting in USD 85 million charge for software which will no longer be used.

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Intangible assets by segment – prior period

Table 17.4

in USD millions, as of December 31, 2011	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other intangible assets	Total
General Insurance	827	–	853	–	548	83	2,311
Global Life	413	1,184	3,279	–	372	21	5,269
Farmers	819	–	–	1,025	409	–	2,254
Other Operating Businesses	–	–	–	–	286	–	286
Non-Core Businesses	–	–	–	–	1	–	1
Net carrying value as of December 31, 2011	**2,060**	**1,184**	**4,132**	**1,025**	**1,616**	**104**	**10,121**

18. Receivables and other assets

Receivables and other assets

Table 18

in USD millions, as of December 31	2012	2011
Financial assets		
Derivative assets	1,813	2,126
Receivables from policyholders	3,514	3,365
Receivables from insurance companies, agents and intermediaries	5,884	5,539
Receivables arising from ceded reinsurance	1,117	1,187
Reverse repurchase agreements	988	814
Amounts due from investment brokers	493	321
Other receivables	1,973	2,032
Allowance for impairments [1]	(327)	(320)
Other assets	135	134
Non-financial assets		
Current tax receivables	1,198	825
Accrued premiums	688	684
Prepaid expenses	275	286
Prepaid insurance benefits	333	432
Other assets	340	404
Total receivables and other assets	**18,423**	**17,828**

[1] Allowance for impairments includes USD 79 million and USD 81 million as of December 31, 2012 and 2011, respectively, for receivables arising from ceded reinsurance.

Receivables are carried at notional amounts, and are generally settled within one year. The notional and fair value amounts do not vary significantly.

19. Other liabilities

Other liabilities

Table 19.1

in USD millions, as of December 31	2012	2011
Other financial liabilities		
Derivative liabilities	542	700
Amounts due to policyholders	761	645
Amounts due to insurance companies, agents & intermediaries	1,360	1,388
Amounts due to reinsurers	1,398	1,117
Liabilities for cash collateral received for securities lending	330	159
Amounts due to investment brokers	1,334	1,406
Deposits from banking activities	672	815
Liabilities for defined benefit plans	3,417	2,905
Other liabilities for employee benefit plans	108	109
Other liabilities	5,214	6,543
Other non-financial liabilities		
Current tax payables	1,101	947
Restructuring provisions	297	254
Premium prepayments and other advances	916	891
Other liabilities	684	1,259
Total other liabilities	**18,135**	**19,137**

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Table 19.2 shows the maturity schedule of other financial liabilities as of December 31, 2012 and 2011, respectively.

Table 19.2

Maturity schedule – other financial liabilities[1]

in USD millions, as of December 31	2012 Carrying value[2]	2012 Undiscounted cash flows[3]	2011 Carrying value[2]	2011 Undiscounted cash flows[3]
< 1 year	10,227	10,213	11,136	11,128
1 to 2 years	119	92	376	387
2 to 3 years	140	121	116	118
3 to 4 years	157	155	183	196
4 to 5 years	98	118	114	115
> 5 years	979	1,442	956	1,164
Total	**11,719**	**12,142**	**12,881**	**13,109**

[1] Excluding liabilities for defined benefit plans.
[2] Allocation to the time bands is based on the expected maturity date.
[3] Based on the earliest contractual maturity.

Table 19.3

Restructuring provisions

in USD millions	2012	2011
As of January 1	254	155
Provisions made during the period	174	179
Increase of provisions set up in prior years	43	45
Provisions used during the period	(170)	(112)
Provisions reversed during the period	(6)	(2)
Foreign currency translation effects	5	(11)
As of December 31	**297**	**254**

During the year ended December 31, 2012, restructuring programs primarily impacted several European countries within the General Insurance and Global Life operations with estimated costs of USD 174 million for restructuring programs announced in the current year and USD 43 million for increases of provisions for restructuring which had been initiated in prior years. In addition, software impairments amounting to USD 11 million were made as part of the restructuring decisions of Global Life operations.

During the year ended December 31, 2011, the Group initiated several restructuring programs, recording a total charge to income of USD 179 million. A further USD 45 million was recorded in respect of restructuring programs initiated in prior years. The main restructuring program impacted several European countries within the General Insurance operations with estimated costs of USD 112 million. In addition, the Group recorded USD 85 million of software impairments as outlined in note 17.

20. Income taxes

Income tax expense – current/deferred split

Table 20.1

in USD millions, for the years ended December 31	2012	2011
Current	1,033	1,099
Deferred	463	(136)
Total income tax expense	**1,496**	**963**

Income tax expense – policyholder/shareholder attribution

Table 20.2

in USD millions, for the years ended December 31	2012	2011
Total income tax expense/(benefit) attributable to policyholders	194	(242)
Total income tax expense attributable to shareholders	1,301	1,204
Total income tax expense	**1,496**	**963**

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

Expected and actual income tax expense

Table 20.3

in USD millions, for the years ended December 31	Rate	2012	Rate	2011
Net income before income taxes		5,462		4,738
less: income tax (expense)/benefit attributable to policyholders		(194)		242
Net income before income taxes attributable to shareholders		5,268		4,979
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	22.0%	1,159	22.0%	1,095
Increase/(reduction) in taxes resulting from:				
Tax rate differential in foreign jurisdictions		*239*		260
Tax exempt and lower taxed income		*(133)*		(82)
Non-deductible expenses		*85*		75
Tax losses previously unrecognized or no longer recognized		*(12)*		5
Prior year adjustments and other		*(37)*		(149)
Actual income tax expense attributable to shareholders	24.7%	1,301	24.2%	1,204
plus: income tax expense/(benefit) attributable to policyholders		194		(242)
Actual income tax expense	**27.4%**	**1,496**	**20.3%**	**963**

Table 20.3 sets out the factors that cause the actual income tax expense to differ from the expected expense computed by applying the Swiss statutory tax rate of 22.0 percent, which is the rate applicable in the jurisdiction where the ultimate parent company is resident.

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Current tax receivables and payables

Table 20.4

in USD millions, as of December 31	2012	2011
Current tax receivables	1,198	825
Current tax payables	(1,101)	(947)
Net current tax receivables/(payables)	**96**	**(122)**

Deferred tax assets and liabilities

Table 20.5

in USD millions, as of December 31	2012	2011
Deferred tax assets	1,854	2,076
Deferred tax liabilities	(5,238)	(4,569)
Net deferred tax liabilities	**(3,384)**	**(2,493)**

Development of net deferred tax liabilities

Table 20.6

in USD millions	2012	2011
As of January 1	(2,493)	(2,415)
Net change recognized in the income statement	(463)	136
Net change recognized in equity	(409)	376
Net changes due to acquisitions/(divestments)	44	(618)
Foreign currency translation effects	(63)	28
As of December 31	**(3,384)**	**(2,493)**

As of December 31, 2012 and 2011, respectively, USD 6 million was debited and USD 404 million was credited as deferred tax to shareholders' equity, net of foreign currency translation effects.

The net deferred tax liabilities related to non-controlling interests amounted to USD 577 million and USD 614 million as of December 31, 2012 and 2011, respectively.

Deferred taxes – policyholder/shareholder attribution

Table 20.7

in USD millions, as of December 31	2012	2011
Net deferred tax liabilities attributable to policyholders	(321)	(154)
Net deferred tax liabilities attributable to shareholders	(3,063)	(2,339)
Net deferred tax liabilities	**(3,384)**	**(2,493)**

Deferred tax assets/(liabilities) analysis by source

Table 20.8

in USD millions, as of December 31	2012 Assets	2012 Liabilities	2011 Assets	2011 Liabilities
Gross deferred tax				
Deferred acquisition and origination costs	35	(677)	24	(655)
Depreciable and amortizable assets	45	(63)	30	(73)
Life policyholders' benefits and deposits[1]	13	(15)	96	(49)
Unrealized (gains)/losses on available-for-sale investments and cash flow hedges	251	(511)	410	(522)
Accruals and deferred income	158	(1)	191	(2)
Reserves for losses and loss adjustment expenses	434	(132)	457	(4)
Reserves for unearned premiums	765	(59)	729	(61)
Pensions and other employee benefits	544	–	541	–
Other assets/liabilities	785	(89)	756	(296)
Tax loss carryforwards	484	–	617	–
Gross deferred tax assets/(liabilities) before valuation allowance	3,514	(1,549)	3,851	(1,662)
Valuation allowance	(112)	–	(113)	–
Gross deferred tax assets/(liabilities) after valuation allowance	3,403	(1,549)	3,738	(1,662)
Deferred tax assets	**1,854**		**2,076**	
Deferred acquisition and origination costs	89	(2,662)	60	(2,565)
Depreciable and amortizable assets	247	(2,585)	287	(2,620)
Life policyholders' benefits and deposits[1]	1,162	(961)	956	(777)
Unrealized (gains)/losses on available-for-sale investments and cash flow hedges	209	(1,364)	303	(1,075)
Accruals and deferred income	116	(94)	109	(169)
Reserves for losses and loss adjustment expenses	149	(82)	142	(243)
Reserves for unearned premiums	50	(72)	47	(64)
Deferred front-end fees	616	–	634	–
Pensions and other employee benefits	482	(40)	457	(37)
Other assets/liabilities	744	(1,357)	923	(1,128)
Tax loss carryforwards	127	–	203	–
Gross deferred tax assets/(liabilities) before valuation allowance	3,992	(9,218)	4,121	(8,678)
Valuation allowance	(12)	–	(12)	–
Gross deferred tax assets/(liabilities) after valuation allowance	3,980	(9,218)	4,109	(8,678)
Deferred tax liabilities		**(5,238)**		**(4,569)**
Net deferred tax liabilities		**(3,384)**		**(2,493)**

[1] Includes reserves for unit-linked contracts.

The Group's deferred tax assets and liabilities are recorded by its tax paying entities throughout the world, which may include several legal entities within each tax jurisdiction. Legal entities are grouped as a single taxpayer only when permitted by local legislation and when deemed appropriate. The first part of table 20.8 includes single taxpayers with a net deferred tax asset position and the second part includes single taxpayers with a net deferred tax liability position.

As of December 31, 2012 and 2011, the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognized amount to approximately USD 22 billion and USD 21 billion, respectively. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

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Tax losses carryforwards and tax credits

Table 20.9

in USD millions, as of December 31	**2012**	2011
For which deferred tax assets have been recognized, expiring		
< 5 years	105	170
5 to 20 years	622	1,208
> 20 years or with no time limitation	1,002	1,010
Subtotal	1,729	2,388
For which deferred tax assets have not been recognized, expiring		
5 to 20 years	102	169
> 20 years or with no time limitation	629	598
Subtotal	731	767
Total	**2,460**	**3,155**

The tax rates applicable to tax losses for which a deferred tax asset has not been recognized are 18.6 percent and 20.6 percent for the years 2012 and 2011, respectively.

The recoverability of the deferred tax asset for each taxpayer is based on the taxpayer's ability to utilize the deferred tax asset over a reasonable period of time. This analysis considers the projected taxable income to be generated by the taxpayer, as well as its ability to offset the deferred tax asset against deferred tax liabilities.

Management assesses the recoverability of the deferred tax asset carrying values based on future years taxable income projections and believes that the carrying values of the deferred tax assets as of December 31, 2012, are recoverable.

21. Senior and subordinated debt

Senior and subordinated debt

Table 21.1

in USD millions, as of December 31		2012	2011
Senior debt			
Zurich Insurance Company Ltd	3.75% CHF 500 million notes, due September 2013[6]	545	531
	2.25% CHF 500 million notes, due July 2017[6]	543	529
	2.875% CHF 250 million notes, due July 2021[6]	269	262
	2.375% CHF 525 million notes, due November 2018[6]	568	553
	1.50% CHF 400 million notes, due June 2019[5,6,7]	440	–
	3.375% EUR 500 million notes, due June 2022[5,6,7]	682	–
Zurich Finance (Luxembourg) S.A.	3.25% USD 750 million notes, due September 2013[5,6,7]	757	764
Zurich Finance (USA), Inc.	4.50% EUR 1 billion notes, due September 2014[2,6,7]	1,333	1,312
	4.875% EUR 800 million notes, due April 2012[1,6]	–	1,037
	6.50% EUR 600 million notes, due October 2015[3,6,7]	790	776
	Euro Commercial Paper Notes	400	400
Zurich Santander Insurance America S.L.	7.5% EUR 167 million loan, due December 2035	220	236
Other	Various debt instruments payable in more than 1 year	113	141
Senior debt		6,660	6,541
Subordinated debt			
Zurich Insurance Company Ltd	12.0% EUR 143 million perpetual capital notes[6]	188	184
	7.5% EUR 425 million notes, due July 2039[6]	557	547
	4.25% CHF 700 million perpetual notes[6]	756	735
	4.625% CHF 500 million perpetual notes[6]	539	525
	8.25% USD 500 million perpetual capital notes[6]	495	–
Zurich Finance (UK) plc	6.625% GBP 450 million perpetual notes[4,6]	723	690
Zurich Finance (USA), Inc.	5.75% EUR 500 million notes, due October 2023[1,6]	652	641
	4.5% EUR 500 million notes, due June 2025[5,6,7]	705	688
ZFS Finance (USA) Trust II	Series II 6.45% USD 700 million Trust Preferred Securities (ECAPS), due December 2065	676	674
ZFS Finance (USA) Trust IV	Series IV 5.875% USD 500 million Trust Preferred Securities, due May 2062	–	250
ZFS Finance (USA) Trust V	Series V 6.5% USD 1 billion Trust Preferred Securities, due May 2067	498	497
Other	Various debt instruments payable in more than 1 year	73	44
Subordinated debt		5,861	5,476
Total senior and subordinated debt		**12,521**	**12,017**

[1] The bond is economically hedged, but hedge accounting treatment has not been applied.
[2] The bond is part of a qualifying cash flow hedge (80 percent of the total) and fair value hedge (20 percent of the total).
[3] The bond is part of a qualifying cash flow hedge (100 percent).
[4] The holders of these notes benefit from the Replacement Capital Covenant which states that if Series IV and V Fixed/Floating Trust Preferred Securities, issued by ZFS Finance (USA) Trusts IV and V, are called before 2042 and 2047 respectively, the Group will issue a replacement debt instrument with terms and provisions that are as or more equity-like than the replaced notes.
[5] These bonds are part of qualifying fair value hedges (100 percent).
[6] Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).
[7] The Group applied the cash flow hedge methodology to hedge the foreign currency exposure and deferred the attributable basis spreads in shareholders' equity, whereas the fair value hedge methodology was used to hedge the interest rate exposure with changes in the fair value being recorded through the income statement.

None of the debt instruments listed in table 21.1 were in default as of December 31, 2012 or 2011.

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Senior and subordinated debt

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

i) Senior debt

Senior debt amounted to USD 6,660 million and USD 6,541 million as of December 31, 2012 and December 31, 2011, respectively.

The increase was primarily due to the issuance of two notes: in June 2012 under its EMTN Programme, Zurich Insurance Company Ltd issued a 1.5% CHF 400 million senior note and a 3.375% EUR 500 million senior note. This was partially offset by the redemption of a 4.875% EUR 800 million senior note issued in 2009 by Zurich Finance (USA) which matured in April 2012 and the translation effects of the U.S. dollar against the currencies in which the notes were issued.

ii) Subordinated debt

Subordinated debt securities are obligations of the Group which, in case of liquidation of the Group, rank junior to all present and future senior indebtedness and certain other obligations of the Group.

Subordinated debt amounted to USD 5,861 million and USD 5,476 million as of December 31, 2012 and December 31, 2011, respectively.

The increase is mainly the result of 8.25% USD 500 million perpetual capital notes issued in January 2012 by Zurich Insurance Company Ltd under its EMTN Programme and the translation effects of the U.S. dollar against the currencies in which the notes were issued. This was partially offset by the early redemption of the remaining USD 250 million of 5.875% USD 500 million Series IV Fixed/Floating Trust Preferred Securities issued by ZFS Finance (USA) Trust IV in 2007, which were called in June 2012.

Operational and financial debt

Table 21.2

Indebtedness

in USD millions, as of December 31	Collateralized loans		Senior debt		Subordinated debt		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Operational debt	–	223	829[1, 2]	864[1, 2]	28[2]	–	857	1,086
Financial debt	–	–	5,831	5,678	5,833	5,476	11,664	11,153
Total	**–**	**223**	**6,660**	**6,541**	**5,861**	**5,476**	**12,521**	**12,240**

[1] Operational senior debt includes USD 750 million in senior debt issued under the EMTN Programme by Zurich Finance (Luxembourg) S.A. in September 2009, which was loaned directly to the Group's banking activities. This issue has been recognized as operational debt by Moody's but not by Standard & Poor's.
[2] Operational senior and subordinated debt include an adjustment of USD 100 million for non-recourse debt.

Total operational and financial debt increased by USD 281 million to USD 12.5 billion.

The net increase resulted from the issue of a number of debt instruments during 2012, which were used to re-finance matured debt and early and partial redemptions of debt, as well as for general corporate purposes, partially offset by the repayment of collateralized loans in operational debt. A further increase was due to the translation effects of the U.S. dollar against the currencies in which the notes were issued.

Table 21.3

Description and features of significant subordinated debt

Description	Coupon conditions	Call/ redemption date	Redemption conditions
12.00% EUR 143 million, perpetual capital notes	12.00% payable annually up to July 15, 2014 and then reset quarterly to 3-month EURIBOR plus 10.33%.	Quarterly on or after July 15, 2014	Redeemable in whole at par plus any accrued interest.
7.5% EUR 425 million notes, due July 2039	7.5% payable annually up to July 24, 2019 and then reset quarterly to 3-month EURIBOR plus 5.85%.	Quarterly on or after July 24, 2019	Redeemable in whole or in part at par plus any accrued interest.
4.25% CHF 700 million, perpetual notes	4.25% payable annually up to May 26, 2016 and then reset quarterly to 3-month CHF-Libor plus 3.046%.	Quarterly on or after May 26, 2016	Redeemable in whole or in part at par plus any accrued interest.
4.625% CHF 500 million, perpetual notes	4.625% payable annually up to May 16, 2018 and then reset to the prevailing 7 year CHF mid swap rate plus 2.691%.	Annually on or after May 16, 2018	Redeemable in whole or in part at par plus any accrued interest.
8.25% USD 500 million, perpetual capital notes	8.25% per annum payable quarterly until January 18, 2018. Resets to the 6-Year USD mid swap rate plus 6.84% until January 18, 2024. Resets thereafter every 6 years to the 6-Year USD mid swap rate plus 7.84%.	Quarterly on or after January 18, 2018	Redeemable in whole or in part at par plus any accrued interest.
6.625% GBP 450 million, perpetual notes	6.625% payable annually up to October 2, 2022 and then reset every 5 years to the reset rate of interest plus 2.85%.[1]	Every five years on or after October 2, 2022	Redeemable in whole every five years at par plus any accrued interest.
5.75% EUR 500 million notes, due October 2023	5.75% payable annually up to October 2, 2013 and then reset quarterly to 3-month EURIBOR plus 2.67%.	Quarterly on or after October 2, 2013	Redeemable in whole at par plus any accrued interest.
4.5% EUR 500 million notes, due June 2025	4.5% payable annually up to June 15, 2015 and then reset quarterly to 3-month EURIBOR plus 2.20%.	Quarterly on or after June 15, 2015	Redeemable in whole at par plus any accrued interest.
Series II 6.45% USD 700 million Fixed/Adjustable Trust Preferred Securities (ECAPS), due December 2065	6.45% payable semi-annually until June 15, 2016 and then reset quarterly to the adjustable rate plus 2.00%.[2]	Quarterly on or after June 15, 2016	Redeemable in whole or in part at par plus any accrued interest.
Series V 6.5% USD 1 billion Fixed/Floating Trust Preferred Securities, due May 2067	6.5% payable semi-annually until May 9, 2017 and then reset quarterly to 3-month LIBOR plus 2.285%.	Quarterly on or after May 9, 2017	Redeemable in whole or in part at par plus any accrued interest.

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

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Maturity schedule of outstanding debt

Table 21.4

in USD millions, as of December 31	2012 Carrying value	2012 Undiscounted cash flows	2011 Carrying value	2011 Undiscounted cash flows
< 1 year	1,702	2,299	1,437	2,032
1 to 2 years	1,356	1,907	1,305	1,823
2 to 3 years	902	1,371	1,324	1,811
3 to 4 years	–	429	917	1,319
4 to 5 years	543	934	–	376
5 to 10 years	2,705	4,340	1,345	2,838
> 10 years	5,313	7,418	5,689	7,625
Total	**12,521**	**18,698**	**12,017**	**17,825**

Debt maturities reflect original contractual dates without taking early redemption options into account. For call/redemption dates, see table 21.3. The total notional amount of debt due in each period is not materially different from the total carrying value disclosed in table 21.4. Undiscounted cash flows include interest and principal cash flows on debt outstanding as of December 31, 2012 and December 31, 2011. All debt is assumed to mature within 20 years of the balance sheet date without refinancing. Floating interest rates are assumed to remain constant as of December 31, 2012 and December 31, 2011. The aggregated cash flows are translated into U.S. dollars at end-of-period rates.

Interest expense on debt

Table 21.5

in USD millions, for the years ended December 31	2012	2011
Senior debt	221	263
Subordinated debt	348	324
Total	**570**	**586**

Interest expense on debt amounted to USD 570 million and USD 586 as of December 31, 2012 and 2011, respectively. The lower interest expense on senior debt was mainly due to the maturity of the 4.875% EUR 800 million notes in April 2012 as well as the positive impact of refinancing the 3.875% CHF 1 billion notes in July 2011 and the 3.5% CHF 300 million notes in November 2011 at lower rates. This reduction was partially offset by the 7.5% EUR 167 million senior loan to support the Group's business in Latin America and the issuance of two new senior notes under the EMTN Programme in June 2012. By contrast interest expense on subordinated debt increased mainly as a result of the issuance of two new subordinated notes in March 2011 and January 2012, partially offset by the early redemption in June 2012 of the remaining USD 250 million of 5.875% USD 500 million Series IV Fixed/Floating Trust Preferred Securities.

Credit facilities

On December 4, 2012 the Group amended the revolving credit facility agreement dated October 31, 2011 and redenominated the total amount of EUR 2.5 billion maturing in 2018 at the latest into USD 3.2 billion. Farmers Group, Inc. and its subsidiaries ceased to be a borrower and a guarantor under the facility and Zurich Insurance Company Ltd assumed this additional borrowing capacity and became the exclusive guarantor of the total amount of USD 3.2 billion.

In addition, the Group has access to four other revolving credit facilities totaling USD 441 million, of which USD 336 million are expiring in 2014 and USD 75 million in 2015. No borrowings were outstanding under any of these facilities as of December 31, 2012 or December 31, 2011.

22. Shareholders' equity

Share capital

Table 22.1

	Share capital in CHF	Number of shares	Par value in CHF
Issued share capital			
As of December 31, 2010	14,658,690	146,586,896	0.10
New shares issued from contingent capital in 2011	79,893	798,926	0.10
As of December 31, 2011	14,738,582	147,385,822	0.10
New shares issued from contingent capital in 2012	91,430	914,301	0.10
As of December 31, 2012	14,830,012	148,300,123	0.10
Authorized, contingent and issued share capital			
As of December 31, 2011	17,129,526	171,295,259	0.10
As of December 31, 2012	17,129,526	171,295,259	0.10

a) Issued share capital

The issued share capital of Zurich Insurance Group Ltd as of December 31, 2012 amounts to CHF 14,830,012.30 divided into 148,300,123 fully paid registered shares with a nominal value of CHF 0.10 each.

b) Authorized share capital

Until March 29, 2014, the Board of Directors of Zurich Insurance Group Ltd is authorized to increase the share capital by an amount not exceeding CHF 1,000,000 by issuing up to 10,000,000 fully paid registered shares with a nominal value of CHF 0.10 each. An increase in partial amounts is permitted. The Board of Directors would determine the date of issue of any such new shares, the issue price, type of payment, conditions for exercising pre-emptive rights, and the commencement of entitlement to dividends.

The Board of Directors may issue such new shares by means of a firm underwriting by a banking institution or syndicate with a subsequent offer of those shares to current shareholders. The Board of Directors may allow the expiry of pre-emptive rights which have not been exercised, or it may place these rights as well as shares, the pre-emptive rights of which have not been exercised, at market conditions.

The Board of Directors is further authorized to restrict or withdraw the pre-emptive rights of shareholders and to allocate them to third parties if the shares are to be used for the take-over of an enterprise, or parts of an enterprise or of participations or if issuing shares for the financing including re-financing of such transactions, or for the purpose of expanding the scope of shareholders in connection with the quotation of shares on foreign stock exchanges.

c) Contingent share capital

Capital market instruments and option rights to shareholders

The share capital of Zurich Insurance Group Ltd may be increased by an amount not exceeding CHF 1,000,000 by the issuance of up to 10,000,000 fully paid registered shares with a nominal value of CHF 0.10 each (i) by exercising conversion and/or option rights which are granted in connection with the issuance of bonds or similar debt instruments by Zurich Insurance Group Ltd or one of its Group companies in national or international capital markets; and/or (ii) by exercising option rights which are granted to current shareholders. When issuing bonds or similar debt instruments connected with conversion and/or option rights, the pre-emptive rights of the shareholders will be excluded. The current owners of conversion and/or option rights shall be entitled to subscribe for the new shares. The conversion and/or option conditions are to be determined by the Board of Directors.

The Board of Directors is authorized, when issuing bonds or similar debt instruments connected with conversion and/or option rights, to restrict or withdraw the right of shareholders for advance subscription in cases where such bonds are issued for the financing or re-financing of a takeover of an enterprise, of parts of an enterprise, or of participations. If the right for advance subscription is withdrawn by the Board of Directors, the convertible bond or warrant issues are to be offered at market conditions (including standard dilution protection provisions in accordance with market practice) and the new shares are issued at the then current convertible bond or warrant issue conditions.

The conversion rights are exercisable during a maximum period of ten years and option rights for a maximum period of seven years from the time of the respective issue. The conversion or option price or its calculation methodology shall be determined in accordance with market conditions whereby, for shares of Zurich Insurance Group Ltd, the quoted share price is to be used as a basis.

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Employee participation

During 2012 and 2011, 914,301 shares and 798,926 shares, respectively, were issued to employees from contingent share capital under the program described above. As a result, on December 31, 2012 and 2011, respectively, the remaining contingent share capital, which can be issued to employees of Zurich Insurance Group Ltd and its subsidiaries, amounted to CHF 299,514 and CHF 390,944 or 2,995,136 and 3,909,437 fully paid registered shares, respectively, with a nominal value of CHF 0.10 each. Pre-emptive rights of the shareholders, as well as the right for advance subscription, are excluded. The issuance of shares or respective option rights to employees is subject to one or more regulations to be issued by the Board of Directors and takes into account performance, functions, levels of responsibility and criteria of profitability. Shares or option rights may be issued to employees at a price lower than that quoted on the stock exchange.

d) Additional paid-in capital

This reserve is not ordinarily available for distribution. However, as of January 1, 2011 a Swiss tax regulation based on the Swiss Corporate Tax reform II became effective, allowing for payments free of Swiss withholding tax to shareholders out of a so called capital contribution reserve, created out of additional paid-in capital. Therefore, amounts qualifying under this regulation can be paid out of additional paid-in capital.

e) Treasury shares

Treasury shares

Table 22.2

number of shares, as of December 31	**2012**	2011
Treasury shares	1,348,395	1,373,392

Treasury shares comprise shares acquired in the market, primarily held to cover employee share and share option plans.

f) Earnings per share

Earnings per share

Table 22.3

for the years ended December 31	**Net income attributable to common shareholders (in USD millions)[1]**	**Weighted average number of shares**	**Per share (USD)**	**Per share (CHF)[2]**
2012				
Basic earnings per share	**3,878**	**146,641,273**	**26.44**	**24.79**
Effect of potentially dilutive shares related to share-based compensation plans		739,870	(0.13)	(0.13)
Diluted earnings per share	**3,878**	**147,381,143**	**26.31**	**24.66**
2011				
Basic earnings per share	**3,746**	**145,790,012**	**25.70**	**22.69**
Effect of potentially dilutive shares related to share-based compensation plans		1,103,836	(0.19)	(0.17)
Diluted earnings per share	**3,746**	**146,893,848**	**25.50**	**22.52**

[1] Excludes the net income attributable to preferred shareholders of USD 4 million for the year ended December 31, 2011.
[2] The translation from USD to CHF is shown for information purposes only and has been calculated at the Group's average exchange rates for the years ended December 31, 2012 and 2011, respectively.

Basic earnings per share is computed by dividing net income attributable to common shareholders by the weighted average number of shares outstanding for the year, excluding the weighted average number of shares held as treasury shares and preferred securities. Diluted earnings per share reflects the effect of potentially dilutive shares.

23. Employee benefits

The Group had 52,722 and 52,648 employees (full-time equivalents) as of December 31, 2012 and 2011, respectively. Personnel and other related costs incurred for the year ended December 31, 2012 and 2011, were USD 6,109 million and USD 5,890 million, including wages and salaries of USD 4,861 million and USD 4,885 million, respectively.

The Group operates a number of retirement benefit arrangements for employees, the majority of employees belong to defined benefit plans. Other employees participate in defined contribution plans, which provide benefits equal to amounts contributed by both the employer and the employee plus investment returns.

The Group also operates post-employment plans, mainly in the U.S., which provide employees with certain defined post-employment benefits such as medical care and life insurance.

To ensure appropriate governance of the Group's pension and post-employment benefit plans, the Group Pension Committee provides oversight of the Group's benefits policy.

a) Defined benefit plans

Defined benefit pension plans

Employees of the Group's companies are covered by various pension plans, the largest of which are in the UK, U.S., Germany and Switzerland. Certain companies provide defined benefit plans, some of which provide benefits related to employees' service periods and pensionable earnings. Others provide cash balance plans where the participants receive the benefit of the accumulated employer and employee contributions together with additional cash credits in line with the rules of the plan. Eligibility for participation in the various plans is either based on completion of a specified period of continuous service or from the date of commencement of employment.

Most of the Group's defined benefit pension plans are funded through contributions by the Group, and in some cases the employee, to trusts or foundations independent of the Group's finances. In these cases, the annual funding requirements are determined in accordance with local funding and actuarial cost methods. Where plans are not funded, a liability for the accrued pension obligations is recognized in the Group's consolidated balance sheets.

For the defined benefit pension plans, total contributions to funded pension plans and benefit payments by the Group are currently estimated at USD 488 million for 2013 compared with USD 479 million estimated in the previous year for 2012. The actual amounts may differ.

Other defined post-employment benefits

Certain of the Group's operating companies provide post-employment benefit programs covering medical care and/or life insurance. Eligibility for the various plans is generally based on completion of a specified period of eligible service and reaching a specified age. The programs typically pay a stated percentage of medical expenses subject to deductibles and other factors. The cost of post-employment benefits is accrued during the employees' service periods. The method of accounting and the frequency of valuations are similar to those for defined benefit pension plans.

Tables 23.1, 23.2 and 23.3 show the funded status of the Group's plans, being the pension plans' assets at fair value less the pension plans' liabilities based on the present value of the obligations. Plans that are wholly unfunded are shown separately from plans that are wholly or partly funded.

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Status of funded defined benefit plans

Table 23.1

in USD millions, as of December 31	Defined benefit pension plans					Other defined post-employment benefits				
	2012	2011	2010	2009	2008	**2012**	2011	2010	2009	2008
Present value of funded obligations	(19,043)	(17,189)	(14,978)	(13,966)	(12,680)	(2)	(1)	–	(70)	(93)
Fair value of plan assets	16,268	14,902	13,791	12,622	10,879	–	–	–	–	–
Funded status	(2,775)	(2,287)	(1,186)	(1,344)	(1,801)	(2)	(1)	–	(70)	(92)
Unrecognized past service cost	–	(1)	(1)	–	(1)	–	–	–	–	–
Cumulative impact of asset ceiling	–	(3)	(3)	(15)	(7)	–	–	–	–	–
Liability – funded obligations	**(2,775)**	**(2,291)**	**(1,190)**	**(1,359)**	**(1,808)**	**(2)**	**(1)**	**–**	**(70)**	**(92)**

Pensions are long-term by nature. However, short-term variations between long-term actuarial assumptions and actual experience may be positive or negative, resulting in actuarial gains or losses, which are recognized in full in the period in which they occur, and are included in OCI.

Status of unfunded defined benefit plans

Table 23.2

in USD millions, as of December 31	Defined benefit pension plans					Other defined post-employment benefits				
	2012	2011	2010	2009	2008	**2012**	2011	2010	2009	2008
Present value of unfunded obligations	(307)	(289)	(260)	(230)	(210)	(315)	(301)	(295)	(205)	(183)
Unrecognized past service cost	(4)	(5)	(10)	–	–	(14)	(18)	(23)	(28)	(1)
Liability – unfunded obligations	**(311)**	**(293)**	**(270)**	**(229)**	**(209)**	**(329)**	**(319)**	**(318)**	**(234)**	**(184)**

Status of funded and unfunded defined benefit plans

Table 23.3

in USD millions, as of December 31	Defined benefit pension plans					Other defined post-employment benefits				
	2012	2011	2010	2009	2008	**2012**	2011	2010	2009	2008
Liability	**(3,086)**	**(2,585)**	**(1,460)**	**(1,588)**	**(2,017)**	**(331)**	**(320)**	**(319)**	**(303)**	**(277)**

Expense recognized in income

Table 23.4

in USD millions, as of December 31	Defined benefit pension plans		Other defined post-employment benefits	
	2012	2011	**2012**	2011
Current service cost	(332)	(314)	(10)	(10)
Interest cost	(740)	(745)	(13)	(13)
Expected return on plan assets	608	756	–	–
Past service cost	(11)	(6)	5	5
Gains on curtailment or settlement	43	2	–	12
Net pension expense	**(432)**	**(307)**	**(18)**	**(7)**

Pension expense is recognized in other employee benefits, which are included in administrative and other operating expense.

Fair value of assets held in funded defined benefit plans

Table 23.5

in USD millions, as of December 31	Defined benefit pension plans	
	2012	2011
Mortgage loans	444	465
Cash and cash equivalents	182	193
Equity securities	3,696	3,233
Debt securities	11,002	10,151
Real estate	938	854
Other assets[1]	7	7
Total	**16,268**	**14,902**

[1] UK annuity policies.

As a matter of policy, pension plan investment guidelines do not permit investment in any assets in which the Group or its subsidiaries have an interest, including shares or other financial instruments issued and real estate held for own use.

Movement in funded and unfunded defined benefit plan obligation

Table 23.6

in USD millions	Defined benefit pension plans		Other defined post-employment benefits	
	2012	2011	**2012**	2011
Benefit obligation as of January 1	(17,478)	(15,238)	(302)	(296)
Current service cost	(332)	(314)	(10)	(10)
Past service cost including plan amendments	(11)	(10)	–	–
Interest cost	(740)	(745)	(13)	(13)
Actuarial gain/(loss) included in other comprehensive income	(1,083)	(1,894)	(3)	(4)
Employee contributions	(51)	(52)	–	(6)
Employer contributions paid directly to meet benefits	30	–	21	–
Benefits paid	628	612	–	20
Effect of curtailments or settlements	254	2	–	12
Foreign currency translation effects	(566)	162	(9)	(5)
Benefit obligation as of December 31	**(19,350)**	**(17,478)**	**(318)**	**(302)**

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Table 23.7

Movement in fair value of plan assets – funded plans

in USD millions	Defined benefit pension plans		Other defined post-employment benefits	
	2012	2011	**2012**	2011
Fair value of plan assets as of January 1	14,902	13,791	–	–
Expected return on plan assets	608	756	–	–
Actuarial gain/(loss) included in other comprehensive income	611	560	–	–
Employer contributions	452	459	–	14
Employee contributions	51	52	–	6
Benefits paid	(628)	(612)	–	(20)
Effect of curtailments or settlements	(211)	–	–	–
Foreign currency translation effects	483	(105)	–	–
Fair value of plan assets as of December 31	**16,268**	**14,902**	**–**	**–**

The actual returns on defined benefit pension plan assets for the years ended December 31, 2012 and 2011 were gains of USD 1,219 million and USD 1,316 million, respectively.

The summary of the balance sheet changes in relation to defined benefit plans and other defined post-employment benefits is shown in table 23.8.

Table 23.8

Movement in liability for funded and unfunded plans

in USD millions	Defined benefit pension plans		Other defined post-employment benefits	
	2012	2011	**2012**	2011
Liability as of January 1	(2,585)	(1,460)	(320)	(319)
Current year expense	(432)	(307)	(18)	(7)
Contributions paid	452	459	–	14
Contributions paid directly to meet benefits	30	–	21	–
Change in liability due to asset ceiling	3	–	–	–
Actuarial gain/(loss) included in other comprehensive income	(473)	(1,333)	(3)	(4)
Foreign currency translation effects	(82)	58	(9)	(5)
Liability as of December 31	**(3,086)**	**(2,585)**	**(331)**	**(320)**

The movements in actuarial gains and losses due to differences between actual and expected experience on the Group's plan assets and defined benefit obligations, together with the impact of changes in actuarial assumptions to reflect economic conditions at the year end are summarized in table 23.9.

Actuarial gain/(loss)

Table 23.9

in USD millions	2012	2011	2010	2009	2008
Actuarial gain/(loss) as of January 1	(4,200)	(2,914)	(2,672)	(2,907)	(1,308)
Experience adjustments on plan liabilities	(212)	(190)	205	(37)	(147)
Experience adjustments on plan assets	611	560	388	318	(1,485)
Changes due to discount rate assumptions	(1,452)	(1,602)	(742)	(103)	223
Changes due to other actuarial assumptions	577	(105)	(65)	144	(392)
Asset ceiling recognition	3	–	11	(7)	51
Foreign currency translation effects	(108)	51	(39)	(80)	152
Total actuarial gain/(loss) as of December 31	**(4,781)**	**(4,200)**	**(2,914)**	**(2,672)**	**(2,907)**
Total actuarial gain/(loss) net of policyholder participation and taxes as of December 31	**(3,308)**	**(2,857)**	**(1,924)**	**(1,762)**	**(1,934)**

The principal financial assumptions used to calculate the Group's major defined benefit pension and defined post-employment benefit obligations and the Group's pension expenses are in table 23.10.

Assumptions used in determining the actuarial liabilities for major defined benefit pension plans

Table 23.10

as of December 31	2012				2011			
	Switzerland	**United Kingdom**	**United States**	**Germany**	Switzerland	United Kingdom	United States	Germany
Discount rate	1.7%	4.7%	3.9%	3.3%	2.1%	5.0%	4.5%	5.4%
Inflation rate	1.5%	3.3%	2.9%	2.3%	1.6%	3.7%	2.2%	1.8%
Expected long-term rate of return on assets	2.6%	4.6%	4.7%	4.3%	3.4%	6.2%	6.4%	4.5%
Expected future salary increases	2.1%	3.8%	4.4%	3.6%	2.2%	4.2%	4.3%	3.1%
Expected future pension increases	1.0%	3.3%	0.0%	2.3%	1.1%	3.7%	0.0%	1.8%
Current average life expectancy for a 65 year old male	21.2	22.9	19.5	18.6	21.1	22.9	19.6	18.4

The expected long-term rate of return on assets was derived separately for each of the Group's funded benefit plans. Each major asset class is assigned an expected long-term rate of return, net of investment expenses, appropriate for the environment in which that plan is invested. The overall expected long-term rate of return on assets for a plan is calculated as the weighted average of the expected return for each asset class, weighted by the plan's target allocation to each asset class.

The mortality assumptions in each country have been based on mortality tables in accordance with the general use in that market. Where appropriate these tables make allowance for projected future improvements in life expectancy.

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Assumptions used in determining the actuarial liabilities for other defined post-employment benefit plans

Table 23.11

as of December 31	2012	2011
	U.S.	U.S.
Discount rate	3.7%	5.0%
Expected increase in long-term health cost – initial rate	7.9%	7.7%
Expected increase in long-term health cost – ultimate rate	4.9%	4.8%

The actuarial assumptions for healthcare cost trend rates have an impact on the amounts recognized. A one percentage point change in the health care cost trend rates would have the effect on amounts recognized as set out in table 23.12.

Effect of a change in health care cost trends on other defined post-employment benefits

Table 23.12

in USD millions, as of December 31	1% increase	1% decrease
Effect on total service cost and interest cost	–[1]	–[1]
Effect on benefit obligation	4	(3)

[1] Below USD 1 million.

b) Defined contribution pension plans

Certain of the Group's companies sponsor defined contribution pension plans. Eligibility for participation in such plans is either based on completion of a specified period of continuous service or the date of commencement of employment. The plans provide for voluntary contributions by employees and contributions by the employer which typically range from 2 percent to 10 percent of annual pensionable salary, depending on a number of factors. The Group's contributions under these plans amounted to USD 132 million and USD 127 million in 2012 and 2011, respectively.

24. Share-based compensation and cash incentive plans

The Group has adopted various share-based compensation and cash incentive plans to attract, retain and motivate executives and employees. The plans are designed to reward employees for their contribution to the performance of the Group and to encourage employee share ownership. Share-based compensation plans include plans under which shares and options to purchase shares, based on the performance of the businesses, are awarded. Share-based compensation plans are based on the provision of the Zurich Insurance Group Ltd shares.

a) Cash incentive plans

Various businesses throughout the Group operate short-term incentive programs for executives, management and, in some cases, for employees of that business. Awards are made in cash, based on the accomplishment of both organizational and individual performance objectives. The expense recognized for these cash incentive plans amounted to USD 490 million and USD 487 million for the years ended December 31, 2012 and 2011, respectively.

b) Share-based compensation plans for employees and executives

The Group encourages employees to own shares in Zurich Insurance Group Ltd and has set up a framework based on the implementation of either share options and/or performance share programs. Actual plans are tailored to meet local market requirements.

Table 24.1

Expenses recognized in income

in USD millions, as of December 31	**2012**	2011
Total option-based expenses	14	35
Total share-based expenses	126	141
Total expenses	**140**	**176**

The explanations below provide a more detailed overview of the main plans of the Group.

Employee share plans

Share Incentive Plan for employees in the UK

The Group established an Inland Revenue approved Share Incentive Plan and launched the partnership shares element of this plan in 2003, which enabled participating employees to make monthly purchases of Zurich Insurance Group Ltd shares at the prevailing market price out of their gross earnings. There were 181 and 252 participants in the plan as of December 31, 2012 and 2011, respectively. The Group also operates the profit-sharing element of the Share Incentive Plan (reward shares) which was launched in 2004 with annual share allocations being made in May each year subject to business performance. The awards are based on the business operating profit (BOP) after tax for the year, for the business unit of each participating employee. Individual awards are subject to a maximum of 5 percent of a participant's base salary (before any flexible benefit adjustments) with an overall maximum of GBP 3,000. The total number of participating employees in the reward share element of the plans as of December 31, 2012 and 2011 was 5,289 and 4,463 respectively.

Share Incentive Plan for employees in Switzerland

Under this plan, employees have the option to acquire sales-restricted shares at a 30 percent discount to the market value. The maximum permitted investment in shares is equivalent to CHF 3,500 per employee per annum. During 2012, 4,894 employees were eligible to participate in the share incentive plan for employees in Switzerland compared with 5,448 in 2011. For the years ended December 31, 2012 and 2011, 1,385 and 1,084 employees, respectively, purchased shares under the 2011 and 2010 share plan.

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The Group Long-Term Incentive Plan
Participants in this plan are granted a target number of performance shares in shares of Zurich Insurance Group Ltd in April each year, such that the economic value is a defined percentage of the annual salary of each participant in the year of grant. Performance shares vest on an annual basis over the subsequent three year period, with the actual level of vesting being between 0 percent and 175 percent of the original shares granted, with an additional discretion to increase vesting to a maximum of 200 percent, depending on the performance of the Group over the previous three calendar years. Performance metrics used to determine the level of vesting are the Group's return on equity and the position of its total annual relative shareholder return measured against an international peer group of insurance companies. One half of the shares that actually vest are sales-restricted for a further three years. As of December 31, 2012 and 2011 there were 1,129 and 1,152 participants in the plan, respectively.

Prior to 2011, for selected senior executives, the target granted was allocated between performance shares and share options in shares of Zurich Insurance Group Ltd. Vesting of the share options is based on the same criteria as those for performance shares over the subsequent three year period, with the same potential multiple of the share options granted dependent on the achievement of the same performance metrics. Share options, once vested, may be exercised by the participant over the period up to seven years from the date of grant.

c) Further information on performance share and option plans

Table 24.2

Movements in options under the Group Long-Term Incentive Plan

	Number of shares under option		Weighted average exercise price (in CHF)	
	2012	2011	**2012**	2011
As of January 1	3,268,779	3,693,558	285	281
Options vesting	444,277	828,407	240	261
Options forfeited	(33,940)	(142,385)	258	248
Options exercised	(408,159)	(304,080)	202	206
Options expired during period	(766,373)	(806,721)	273	276
As of December 31	**2,504,584**	**3,268,779**	**295**	**285**
Exercisable options as of December 31	2,261,239	2,587,617	295	285

The average share price for Zurich Insurance Group Ltd shares in 2012 and 2011 was CHF 221.56 and CHF 212.72 respectively.

Table 24.3

Share options exercised during the period

	Amount		Weighted average share price (in CHF)	
	2012	2011	**2012**	2011
Exercise date				
January to April	296,042	255,232	235	260
May to August	33,289	26,388	222	229
September to December	78,828	22,460	238	208
Total	**408,159**	304,080	**232**	232

Table 24.4

Range of exercise prices for options outstanding

in CHF, as of December 31	Number of options		Weighted average contractual life in years		Weighted average remaining expected life in years	
	2012	2011	**2012**	2011	**2012**	2011
Exercise price						
100 to 200	255,683	478,212	7.0	7.0	3.3	4.3
201 to 300	876,150	1,161,398	7.0	7.0	4.3	4.5
301 to 400	1,372,751	1,629,169	7.0	7.1	1.3	2.3
Total	**2,504,584**	3,268,779	**7.0**	7.0	**2.6**	3.4

Table 24.5

Options and shares during the period

for the years ended December 31	Number		Weighted average fair value at grant date (in CHF)	
	2012	2011	**2012**	2011
Shares granted during the period	549,831	537,955	226	244
Options granted during the period[1]	–	–	–	–

[1] Number of options granted for closed plans.

The shares granted during the year are the target allocations made under the Group’s Long-Term Incentive Plan. Whether these grants vest or not will depend on whether the performance metrics are achieved. If the performance metrics change from the initial assumptions, the expense is adjusted.

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25. Contingent liabilities, contractual commitments and financial guarantees

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.

Quantifiable commitments and contingencies

Table 25.1

in USD millions, as of December 31	**2012**	2011
Commitments under investment agreements	4,225	4,037
Less funded commitments	(3,690)	(3,586)
Remaining commitments under investment agreements	535	451
Guarantees and letters of credit[1]	10,565	10,387
Future operating lease commitments	1,085	1,169
Undrawn loan commitments	20	57
Other commitments and contingent liabilities	41	7

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

Commitments under investment agreements

The Group has committed to contribute capital to subsidiaries and third parties that engage in making investments in direct private equity and private equity funds. Commitments may be called by the counterparty over the term of the investment (generally three to five years) and must be funded by the Group on a timely basis.

Guarantees and letters of credit

USD 9,104 million of the USD 10,565 million and USD 8,691 million of the USD 10,387 million for financial guarantees and letters of credit as of December 31, 2012 and 2011, respectively, relate to guarantees in the aggregate amount of GBP 5,595 million provided to the directors of a fully owned subsidiary in connection with the rationalization of the Group's top legal holding structure which resulted in the merger of Zurich Group Holding into Zurich Financial Services Ltd in December 2009. These guarantees will expire in August 2015. In 2012 and 2011, an additional USD 773 million and USD 738 million, respectively, relate to guarantees in the aggregate amount of GBP 475 million which were provided to the directors of a fully owned subsidiary in connection with the repatriation of capital.

The Group knows of no event of default that would require it to satisfy financial guarantees. Irrevocable letters of credit have been issued to secure certain reinsurance contracts.

The Group is active in numerous countries where insurance guarantee funds exist. The design of such funds varies from jurisdiction to jurisdiction. In some, funding is based on premiums written, in others the Group may be called upon to contribute to such funds in case of a failure of another market participant. In addition, in some jurisdictions the amount of contribution may be limited, for example, to a percentage of the net underwriting reserve net of payments already made.

The Group carries certain contingencies in the ordinary course of business in connection with the sale of its companies and businesses. These are primarily in the form of indemnification obligations provided to the acquirer in a transaction in which a Group company is the seller. They vary in scope and duration by counterparty and generally are intended to shift the potential risk of certain unquantifiable and unknown loss contingencies from the acquirer to the seller.

Commitments under lease agreements

The Group has entered into various operating leases as lessee for office space and certain computer and other equipment. Lease expenses totaled USD 102 million and USD 141 million for the years ended December 31, 2012 and 2011, respectively.

Future payments under non-cancelable operating leases with terms in excess of one year

Table 25.2

in USD millions, as of December 31	2012	2011
< 1 year	205	192
1 to 2 years	187	192
2 to 3 years	174	168
3 to 4 years	155	154
4 to 5 years	110	142
> 5 years	254	322
Total	**1,085**	1,169

Indemnity agreements

The Group, through certain of its subsidiaries, has agreed to arrangements that cap Converium's (now Scor Holding (Switzerland) AG) and its successor companies' net exposure for losses arising out of the September 11, 2001 World Trade Center event in New York. As of December 31, 2012 the Group has recorded provisions of USD 44 million, for losses in excess of USD 289 million.

Other contingent liabilities

The Group has received notices from various tax authorities asserting deficiencies in taxes for various years. The Group is of the view that the ultimate outcome of these reviews would not materially affect the Group's consolidated financial position.

The Group has commitments to provide collateral on certain contracts in the event of a financial strength downgrading for Zurich Insurance Company Ltd from the current AA– by Standard & Poor's. Should the rating by Standard & Poor's fall to A+, then the additional collateral based on information available as of December 31, 2012 and 2011 is estimated to amount to approximately USD 71 million and USD 131 million, respectively.

In common with other groups writing life insurance business in the UK, the Group remains exposed to a number of Conduct of Business issues. While provisions are maintained which reflect management's best estimate at the balance sheet date of the probable costs and expenses of resolving these matters, significant uncertainty regarding the ultimate cost remains. The main area of uncertainty concerns complaints related to sales advice. The key assumptions used to derive the complaint provisions are the volume of complaints, both those already recorded and an assumption as to the level of future complaints, the percentage of complaints expected to be successful (the uphold rate), the average redress payable for each complaint and the expenses of reviewing each case or complaint. The assumptions used to set the provisions have been based on actual recent experience.

Pledged assets

The majority of assets pledged to secure the Group's liabilities relate to debt securities pledged under short-term sale and repurchase agreements. The total amount of pledged financial assets including the securities under short-term sale and repurchase agreements amounted to USD 9,445 million and USD 8,147 million as of December 31, 2012 and 2011, respectively.

Terms and conditions associated with the financial assets pledged to secure the Group's liabilities are usual and standard in the markets in which the underlying agreements were executed.

Legal proceedings and regulatory investigations

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

An action entitled Fuller-Austin Asbestos Settlement Trust, et al. v. Zurich American Insurance Company (ZAIC), et al., was filed in May 2004 in the Superior Court for San Francisco County, California. Three other similar actions were filed in 2004 and 2005 and have been coordinated with the Fuller-Austin action (collectively, the Fuller-Austin Case). In addition to ZAIC and four of its insurance company subsidiaries, Zurich Insurance Company Ltd and Orange Stone Reinsurance Dublin (Orange Stone) are named as defendants. The plaintiffs, who are historical policyholders of the Home Insurance Company (Home), plead claims for, inter alia, fraudulent transfer, tortious interference, unfair business practices, alter ego and agency liability relating to the recapitalization of Home, which occurred in 1995 following regulatory review and approval. The plaintiffs allege that pursuant to the recapitalization and subsequent transactions, various Zurich entities took assets of Home without giving adequate consideration in return, and contend that this

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forced Home into liquidation. The plaintiffs further allege that the defendants should be held responsible for Home's alleged obligations under their Home policies. The trial judge designated the plaintiffs' claims for constructive fraudulent transfer for adjudication before all other claims; he subsequently ordered an initial bench trial on certain threshold elements of those fraudulent transfer claims and on certain of defendants' affirmative defenses. The trial commenced on November 1, 2010. Closing arguments were heard on February 22 and 23, 2012, and a decision is pending. The Group maintains that the Fuller-Austin Case is without merit and intends to continue to defend itself vigorously.

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

26. Fair value of financial assets and financial liabilities

Tables 26.1a and 26.1b compare the fair value of financial assets and financial liabilities with their carrying value.

Table 26.1a

Fair value (FV) and carrying value of financial assets and financial liabilities – Group investments and other Non-unit-linked

in USD millions, as of December 31	Total fair value		Total carrying value	
	2012	2011	**2012**	2011
Cash and cash equivalents	9,098	8,882	9,098	8,882
Available-for-sale securities				
Debt securities	141,597	130,196	141,597	130,196
Equity securities	8,796	8,207	8,796	8,207
Total available-for-sale securities	150,392	138,402	150,392	138,402
Securities at FV through profit or loss				
Trading				
Debt securities	48	42	48	42
Equity securities	410	438	410	438
Designated at FV				
Debt securities	8,937	8,738	8,937	8,738
Equity securities	3,135	4,006	3,135	4,006
Total securities at FV through profit or loss	12,530	13,224	12,530	13,224
Derivative assets	1,750	2,060	1,750	2,060
Held-to-maturity debt securities	5,723	6,182	5,012	5,535
Investments in associates and joint ventures	172	161	172	161
Loans and receivables				
Mortgage loans	11,298	11,607	10,519	11,058
Other loans	14,895	13,724	12,423	11,944
Deposits made under assumed reinsurance contracts	2,583	2,703	2,588	2,711
Mortgage loans given as collateral	–	223	–	223
Receivables	13,611	12,904	13,642	12,939
Total loans and receivables	42,387	41,161	39,172	38,874
Total financial assets	**222,053**	**210,072**	**218,127**	**207,138**
Derivative liabilities	(537)	(663)	(537)	(663)
Financial liabilities held at amortized cost				
Liabilities related to investment contracts	(1,540)	(1,354)	(1,305)	(1,131)
Liabilities related to investment contracts with DPF	(5,663)	(5,337)	(5,903)	(5,607)
Senior debt	(7,180)	(6,789)	(6,660)	(6,541)
Subordinated debt	(6,379)	(5,153)	(5,861)	(5,476)
Deposits received under ceded reinsurance contracts	(1,482)	(1,477)	(1,558)	(1,560)
Collateralized loans	–	(223)	–	(223)
Other financial liabilities	(1,890)	(1,953)	(1,890)	(1,957)
Obligation to repurchase securities	(1,539)	(1,794)	(1,539)	(1,794)
Total financial liabilities	**(26,210)**	**(24,743)**	**(25,252)**	**(24,952)**

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Table 26.1b

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

in USD millions, as of December 31	Total fair value		Total carrying value	
	2012	2011	**2012**	2011
Cash and cash equivalents	1,261	1,280	1,261	1,280
Investments at FV through profit or loss				
Designated at FV				
Debt securities	12,062	11,825	12,062	11,825
Equity securities	100,144	89,535	100,144	89,535
Other loans	8,279	7,739	8,279	7,739
Total investments at FV through profit or loss	120,484	109,099	120,484	109,099
Derivative assets	62	65	62	65
Total	**121,808**	**110,444**	**121,808**	**110,444**
Financial liabilities at FV through profit or loss				
Designated at FV				
Liabilities related to unit-linked investment contracts	(50,923)	(44,220)	(50,923)	(44,220)
Derivative liabilities	(5)	(37)	(5)	(37)
Total	**(50,928)**	**(44,256)**	**(50,928)**	**(44,256)**

The methods and assumptions used by the Group in determining fair values of financial assets and liabilities are set out in note 4. Depending on the valuation techniques used and whether the underlying assumptions are based on observable market data, financial instruments carried at fair value are classified under the following three levels (the fair value hierarchy).

Level 1 – this category includes financial assets for which fair values are determined based on quoted prices (unadjusted) in active markets for identical instruments. A market is considered active only if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Group has classified under level 1 the majority of common stocks, government bonds and certain corporate bonds and investments in unit trusts that are traded in very liquid markets.

Level 2 – this category includes financial assets and liabilities for which fair values are determined using valuation techniques with all significant inputs based on observable market data. Depending on the nature of the instruments and the market in which they are traded, examples of observable market data may include quoted prices, broker quotes, interest rates, yield curves etc. The Group has classified under level 2 the majority of corporate bonds, investments in unit trusts, agency-backed and senior tranches of asset-backed securities, and OTC derivative financial instruments. While markets for these instruments do not meet the strict requirements to be classified as active, they offer sufficient transaction volumes and, therefore, observable market data to enable the Group to determine their fair value. The Group has also classified under level 2 liabilities related to unit-linked investment contracts.

Level 3 – this category includes financial assets and liabilities for which fair values are determined using valuation techniques with at least one significant input not being based on observable market data. In circumstances when there is little, if any, market activity for a certain instrument, the Group is required to develop internal valuation inputs based on the best information available about the assumptions that market participants would use when pricing the asset or liability. This would normally apply in the case of investments in hedge funds, private equity funds, asset-backed securities for which currently very limited market activity is observed, and long-dated derivative financial instruments. The effect of changes in the internal valuation inputs to reasonably possible alternative values is disclosed in tables 26.4a and 26.4b.

Group investments and other non-unit linked financial instruments carried at fair value

Fair value hierarchy – current period

Table 26.2a

in USD millions, as of December 31, 2012	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Debt securities	44,796	94,064	2,736	141,597
Equity securities	3,526	4,331	939	8,796
Total available-for-sale securities	48,322	98,395	3,675	150,392
Securities at FV through profit or loss				
Trading				
Debt securities	43	5	–	48
Equity securities	–	43	367	410
Designated at FV				
Debt securities	2,737	6,110	90	8,937
Equity securities	383	1,493	1,260	3,135
Total securities at FV through profit or loss	3,163	7,650	1,716	12,530
Derivative assets	2	1,719	30	1,750
Total	**51,487**	**107,765**	**5,421**	**164,672**
Derivative liabilities	(3)	(533)	–	(537)
Total	**(3)**	**(533)**	**–**	**(537)**

Fair value hierarchy – prior period

Table 26.2b

in USD millions, as of December 31, 2011	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Debt securities	40,046	87,888	2,261	130,196
Equity securities	3,346	3,884	977	8,207
Total available-for-sale securities	43,392	91,772	3,239	138,402
Securities at FV through profit or loss				
Trading				
Debt securities	35	7	–	42
Equity securities	–	40	398	438
Designated at FV				
Debt securities	3,155	5,394	189	8,738
Equity securities	483	2,258	1,265	4,006
Total securities at FV through profit or loss	3,673	7,699	1,851	13,224
Derivative assets	4	2,023	33	2,060
Total	**47,069**	**101,494**	**5,123**	**153,686**
Derivative liabilities	(8)	(603)	(52)	(663)
Total	**(8)**	**(603)**	**(52)**	**(663)**

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Development of financial instruments classified under level 3 – current period

Table 26.3a

in USD millions	Available-for-sale securities		Securities at FV through profit or loss				
			Trading	Designated at FV			
	Debt securities	Equity securities	Equity securities	Debt securities	Equity securities	Derivative assets	Derivative liabilities
As of January 1, 2012	2,261	977	398	189	1,265	33	(52)
Realized gains/(losses) recognized in income	37	31	8	8	10	–	–
Unrealized gains/(losses) recognized in income[1]	(11)	(4)	(7)	4	76	(5)	52
Unrealized gains/(losses) recognized in other comprehensive income	165	58	–	–	–	–	–
Purchases	680	86	29	14	155	–	–
Sales/redemptions/settlements	(1,084)	(212)	(67)	(100)	(245)	–	–
Transfers into Level 3	929	2	–	12	–	–	–
Transfers out of Level 3	(261)	(4)	–	(42)	–	–	–
Foreign currency translation effects	20	5	7	4	(1)	1	–
As of December 31, 2012	**2,736**	**939**	**367**	**90**	**1,260**	**30**	**–**

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

During the year ended December 31, 2012, the Group transferred USD 0.9 billion of debt securities from level 2 to level 3. The transfers were mainly the result of higher price volatility and credit rating downgrades of certain asset-backed securities, resulting in a deterioration of the market activity of the instruments.

Development of financial instruments classified under level 3 – prior period

Table 26.3b

in USD millions	Available-for-sale securities		Securities at FV through profit or loss				
			Trading	Designated at FV			
	Debt securities	Equity securities	Equity securities	Debt securities	Equity securities	Derivative assets	Derivative liabilities
As of January 1, 2011	3,394	2,836	433	191	1,545	46	(25)
Realized gains/(losses) recognized in income	26	500	6	1	23	–	–
Unrealized gains/(losses) recognized in income[1]	(12)	(61)	19	(10)	28	16	(27)
Unrealized gains/(losses) recognized in other comprehensive income	(14)	(277)	–	–	–	–	–
Purchases	354	630	95	16	34	–	–
Sales/redemptions/settlements	(1,539)	(1,187)	(155)	(16)	(369)	–	–
Transfers into Level 3	79	9	–	1	–	–	–
Transfers out of Level 3	(40)	(1,566)	–	–	–	(27)	–
Foreign currency translation effects	14	92	(1)	7	4	(1)	–
As of December 31, 2011	**2,261**	**977**	**398**	**189**	**1,265**	**33**	**(52)**

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

During the year ended December 31, 2011, the Group transferred USD 1.6 billion of equity securities from Level 3 to Level 1. The transfer arose because the investment in New China Life Insurance Company Ltd was listed on the Hong Kong Stock Exchange on December 15, 2011.

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

As of December 31, 2012 and 2011 under level 3, the Group classified asset-backed securities (ABSs) amounting to USD 2.8 billion and USD 2.5 billion, respectively. These ABSs include non-agency backed securities for which the limited market activity observable during the year required the Group's external pricing providers to make certain internal valuation assumptions. To determine the fair value of these investments, pricing providers use valuation models that are based on an expected present value technique.

The key assumptions driving the valuation of these investments include discount margins and rates for prepayment, recovery and default. 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 26.4a and 26.4b. While these tables illustrate the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions, may differ significantly between investments, given their different terms and circumstances.

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

Table 26.4a

Sensitivity analysis of Level 3 ABSs to changes in key assumptions – current period

as of December 31, 2012	Less favorable values (relative change)	Decrease of reported fair value USD millions	More favorable values (relative change)	Increase of reported fair value USD millions
Key assumptions				
Discount margins	+20%	(95)	–20%	97
Prepayment rates	–20%	(7)	+20%	8
Recovery rates	–20%	(2)	+20%	2
Default rates	+20%	(10)	–20%	5

Table 26.4b

Sensitivity analysis of Level 3 ABSs to changes in key assumptions – prior period

as of December 31, 2011	Less favorable values (relative change)	Decrease of reported fair value USD millions	More favorable values (relative change)	Increase of reported fair value USD millions
Key assumptions				
Discount margins	+20%	(85)	–20%	90
Prepayment rates	–20%	(9)	+20%	10
Recovery rates	–20%	(1)	+20%	1
Default rates	+20%	(3)	–20%	3

As of December 31, 2012 and 2011, under level 3 the Group also classified investments in hedge funds and private equity funds amounting to USD 2.0 billion and USD 1.9 billion, respectively. These investments are valued based on regular reports from the issuing funds and 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. Investments in hedge funds and private equity funds have not been included in the sensitivity analysis due to the large number of valuation assumptions that while, in total, have a significant effect on the fair value of these investments, when considered individually, the impact of changing them to reasonably possible alternative values would not be significant.

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Unit-linked financial instruments

Fair value hierarchy – current period

Table 26.5a

in USD millions, as of December 31, 2012	Level 1	Level 2	Level 3	Total
Investments at FV through profit or loss				
Designated at FV				
Debt securities	4,357	7,616	88	12,062
Equity securities	42,232	55,171	2,741	100,144
Other loans	–	8,279	–	8,279
Total investments at FV through profit or loss	46,589	71,066	2,829	120,484
Derivative assets	–	62	1	62
Total	**46,589**	**71,127**	**2,830**	**120,547**
Financial liabilities at FV through profit or loss				
Designated at FV				
Liabilities related to unit-linked investment contracts	–	(50,923)	–	(50,923)
Derivative liabilities	–	(4)	(1)	(5)
Total	**–**	**(50,927)**	**(1)**	**(50,928)**

Fair value hierarchy – prior period

Table 26.5b

in USD millions, as of December 31, 2011	Level 1	Level 2	Level 3	Total
Investments at FV through profit or loss				
Designated at FV				
Debt securities	5,203	6,493	129	11,825
Equity securities	39,778	45,153	4,604	89,535
Other loans	–	7,739	–	7,739
Total investments at FV through profit or loss	44,981	59,385	4,733	109,099
Derivative assets	–	64	1	65
Total	**44,981**	**59,449**	**4,734**	**109,164**
Financial liabilities at FV through profit or loss				
Designated at FV				
Liabilities related to unit-linked investment contracts	–	(44,220)	–	(44,220)
Derivative liabilities	–	(33)	(3)	(37)
Total	**–**	**(44,253)**	**(3)**	**(44,256)**

Table 26.6a

Development of financial assets classified under level 3 – current period

in USD millions	Securities at FV through profit or loss	
	Designated at FV	
	Debt securities	Equity securities
As of January 1, 2012	129	4,604
Realized gains/(losses) recognized in income	1	402
Unrealized gains/(losses) recognized in income	6	(93)
Purchases	–	27
Sales/redemptions	(14)	(2,194)
Transfers into level 3	–	4
Transfers out of level 3	(38)	(11)
Foreign currency translation effects	5	2
As of December 31, 2012	**88**	**2,741**

Table 26.6b

Development of financial assets classified under level 3 – prior period

in USD millions	Securities at FV through profit or loss	
	Designated at FV	
	Debt securities	Equity securities
As of January 1, 2011	143	4,650
Realized gains/(losses) recognized in income	2	46
Unrealized gains/(losses) recognized in income	–	218
Purchases	5	27
Sales/redemptions	(21)	(329)
Transfers into level 3	–	1
Transfers out of level 3	–	(4)
Foreign currency translation effects	–	(5)
As of December 31, 2011	**129**	**4,604**

Consolidated financial statements *continued*

27. Related party transactions

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

Table 27.1 sets out related party transactions with equity method accounted investments, reflected in the consolidated income statements and consolidated balance sheets.

Related party transactions included in the Consolidated financial statements

Table 27.1

in USD millions		
for the years ended December 31,	**2012**	2011
Net earned premiums and policy fees	13	28
Net investment result on Group investments	18	15
Insurance benefits and losses, net of reinsurance	(9)	(4)
Underwriting and policy acquisition costs, net of reinsurance	(1)	(2)
Administrative and other operating expense	(2)	(2)
as of December 31,	**2012**	2011
Other loans	18	21
Deposits made under assumed reinsurance contracts	4	5
Receivables and other assets	5	7
Reserves for insurance contracts	(11)	(11)
Other liabilities	(1)	(3)

Table 27.2 summarizes related party transactions with key personnel reflected in the Consolidated financial statements. Key personnel includes members of the Board of Directors of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd and members of the Group Executive Committee.

Related party transactions – key personnel

Table 27.2

in USD millions, for the years ended December 31	**2012**	2011
Remuneration of key personnel of the Group		
Cash compensation, current benefits and fees	31	33
Post-employment benefits	3	3
Share-based compensation	14	19
Total remuneration of key personnel	**48**	55

As of December 31, 2012 and 2011 there were no loans, advances or credits outstanding from members of the Group Executive Committee. Outstanding loans and guarantees granted to members of the Board of Directors amounted to USD 3 million for both the years ended December 31, 2012 and December 31, 2011. The terms "members of the Board of Directors" and "members of the Group Executive Committee" in this context include the individual as well as members of their respective households. The figures in table 27.2 include the fees paid to members of the Board of Directors of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd, which were USD 5 million for both the years ended December 31, 2012 and December 31, 2011.

No provision for non-repayment has been required in 2012 and 2011 for the loans or guarantees made to members of the Group Executive Committee.

Information required by art. 663bbis and art. 663c paragraph 3 of the Swiss Code of Obligation is disclosed in the Financial statements of the holding company.

The cash compensation, current benefits and fees are short term in nature.

Consolidated financial statements *continued*

28. Farmers Exchanges

Farmers Group, Inc. and its subsidiaries (FGI) provide certain non-claims related management services to the Farmers Exchanges, which are managed but not owned by Farmers Group, Inc. a wholly owned subsidiary of the Group. The finances and operations of the Farmers Exchanges are governed by independent Boards of Governors. In addition, the Group has the following relationships with the Farmers Exchanges.

a) Certificates of contribution issued by the Farmers Exchanges
As of December 31, 2012 and 2011, FGI and other Group companies held the following certificates of contribution issued by the Farmers Exchanges. Originally these were purchased by FGI in order to supplement the policyholders' surplus of the Farmers Exchanges.

Table 28

Surplus Notes

in USD millions, as of December 31	2012	2011
6.15% certificate of contribution, due June 2021	707	707
6.15% certificate of contribution, due June 2021	140	140
6.15% certificate of contribution, due June 2021	60	60
4.65% certificate of contribution, due December 2013	150	150
Various other certificates of contribution	23	23
Total	**1,080**	**1,080**

Conditions governing payment of interest and repayment of principal are outlined in the certificates of contribution. Generally, repayment of principal may be made only when the issuer has an appropriate amount of surplus, and then only after approval is granted by the issuer's governing board and the appropriate state insurance regulatory department in the U.S. In addition, payment of interest may generally be made only when the issuer has an appropriate amount of surplus and then only after approval is granted by the appropriate state insurance regulatory department in the U.S.

b) Quota share reinsurance treaties with the Farmers Exchanges
The Farmers Exchanges ceded risk through quota share reinsurance treaties to Farmers Reinsurance Company (Farmers Re Co), a wholly owned subsidiary of FGI, and to Zurich Insurance Company Ltd (ZIC).

Auto Physical Damage Quota Share reinsurance agreement
The Auto Physical Damage (APD) Quota Share reinsurance agreement (APD agreement) with the Farmers Exchanges provides for annual ceded premiums of USD 1 billion with 20.0 percent assumed by Farmers Re Co (USD 200 million) and 80.0 percent assumed by ZIC (USD 800 million), a 25.8 percent ceding commission for acquisition expenses, and an 8.2 percent ceding commission for unallocated loss adjustment expenses. In addition, Farmers Re Co and ZIC assume a quota share percentage of ultimate net losses sustained by the Farmers Exchanges in their APD lines of business. The APD agreement also includes provisions for additional experience commissions that will depend on loss experience and recoveries below a specified ratio for each year. This experience commission arrangement limits Farmers Re Co and ZIC's potential underwriting gain on the assumed business to 2.0 percent of premiums assumed plus 20.0 percent of the underwriting gain resulting from a combined ratio under 98.0 percent. The APD agreement can be cancelled after 90 days notice by any of the parties.

Effective January 1, 2012, the APD agreement was replaced with a new APD treaty with substantially the same terms as the prior agreement but with the ceding commission for acquisition expenses ranging between 27.1 percent and 29.1 percent and the ceding commission for unallocated loss adjustment expenses ranging between 8 percent and 10 percent, both based on a previous 5 year average experience. In addition, the experience commission was eliminated.

Farmers Exchanges' share of ceded premiums amounted to USD 1 billion for both the years ended December 31, 2012 and 2011. Ceded incurred losses and loss adjustment expenses totaled USD 723 million and USD 709 million for the years ended December 31, 2012 and 2011, respectively. Farmers Exchanges' share of the total commission income was USD 290 million and USD 268 million for the years ended December 31, 2012 and 2011, respectively.

All Lines Quota Share reinsurance agreement

Certain of the Farmers Exchanges participate in an All Lines Quota Share reinsurance agreement (All Lines agreement) with Farmers Re Co and ZIC which has been amended over the years, with the participation ratio at 12 percent as of December 31, 2010. The All Lines agreement provided for a cession of a quota share of the premiums written and the ultimate net losses sustained in all lines of business written by the Farmers Exchanges after the APD agreement has been applied. The All Lines agreement, which can be terminated after 90 days notice by any of the parties, also provides for the Farmers Exchanges to receive a provisional ceding commission of 26.7 percent, 9.0 percent of premiums for unallocated loss adjustment expenses and 5.3 percent of premiums for other expenses. In addition, under the All Lines agreement, the Farmers Exchanges catastrophe losses are subject to a maximum of USD 1.2 billion.

Effective December 31, 2011, the All Lines agreement was amended subsequent to which Farmers Re Co and ZIC entered into a 20.0 percent All Lines agreement, under which each assumes a percentage of all lines of business written by the Farmers Exchanges, prospectively. Under the All Lines agreement, which amended the 12.0 percent All Lines agreement in effect since December 31, 2010, Farmers Re Co and ZIC assume a 4.0 percent and 16.0 percent respective quota share of the premiums written and the ultimate net losses sustained in all lines of business written by the Farmers Exchanges after the APD agreement has been applied. In addition, under the All Lines agreement, the Farmers Exchanges catastrophe losses are subject to a maximum of USD 1.2 billion. As a result, Farmers Re Co and ZIC are subject to a maximum annual catastrophe loss of USD 48.0 million and USD 192 million, respectively. Unearned premiums totaling USD 527 million were transferred from the Farmers Exchanges to Farmers Re Co and ZIC as a result of their increased participation in the All Lines agreement as from December 31, 2011. In addition, Farmers Re Co and ZIC remitted USD 141 million of reinsurance commissions to the Farmers Exchanges for acquisition expenses due to the increased participation in the All Lines agreement. Ceded premiums earned and commissions were USD 1,984 million and USD 635 million, respectively, and recoveries totaled USD 1,396 million, for the year ended December 31, 2011.

Subject to the approval of the California Department of Insurance, effective December 31, 2012, the All Lines agreement was amended such that Farmers Re Co assume a 2.5 percent instead of 4 percent quota share and ZIC continues to assume a 16.0 percent quota share of the premiums written and the ultimate net losses sustained in all lines of business written by the Farmers Exchanges after the APD agreement has been applied. The remaining 1.5 percent quota share is assumed by a third party on the same terms as Farmers Re Co and ZIC. Unearned premiums totaling USD 102 million were transferred from Farmers Re Co to the Farmers Exchanges as a result of its decreased participation in the All Lines agreement effective December 31, 2012. In addition, the Farmers Exchanges remitted USD 27 million of reinsurance commissions to Farmers Re for acquisition expenses due to the decreased participation in the All Lines agreement.

Based on the results for 2012, ceded premiums earned and commissions were USD 3,418 million and USD 1,094 million, respectively, and recoveries totaled USD 2,475 million, for the year ended December 31, 2012.

Consolidated financial statements *continued*

29. Segment information

The Group pursues a customer-centric strategy and is managed on a matrix basis, reflecting both businesses and geography. The Group's operating segments have been identified on the basis of the businesses operated by the Group and how these are strategically managed to offer different products and services to specific customer groups. Segment information is presented accordingly. The Group's reportable segments are as follows:

General Insurance is the segment through which the Group provides a variety of motor, home and commercial products and services for individuals, as well as small and large businesses.

Global Life pursues a strategy of providing market-leading unit-linked, protection and corporate propositions through global distribution and proposition pillars to develop leadership positions in its chosen segments.

Farmers provides, through Farmers Group, Inc. and its subsidiaries (FGI), non-claims related management services to the Farmers Exchanges. FGI receives fee income for the provision of services to the Farmers Exchanges, which are managed but not owned by Farmers Group, Inc. a wholly owned subsidiary of the Group. This segment also includes all reinsurance assumed from the Farmers Exchanges by the Group. Farmers Exchanges are prominent writers of personal and small commercial lines of business in the U.S.

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

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

Non-Core Businesses include insurance and reinsurance businesses that the Group does not consider core to its operations and that are therefore mostly managed to achieve a beneficial run-off. In addition, Non-Core Businesses includes the Group's management of property loans and banking activities. Non-core businesses are mainly situated in the U.S., Bermuda, the United Kingdom and Ireland.

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

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

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

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

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

The segment information includes the Group's internal performance measure, business operating profit (BOP). This measure is the basis on which business units are managed. It indicates the underlying performance of the business units by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains on investments and impairments (except for the capital markets and property lending/banking operations included in Non-Core Businesses and investments in hedge funds, certain securities held for specific economic hedging purposes and policyholders' share of investment results for the life businesses), non-operational foreign exchange movements, and significant items arising from special circumstances, including restructuring charges, charges for litigation outside the ordinary course of business and gains and losses on divestments of businesses.

Consolidated financial statements *continued*

Business operating profit by business segment

Table 29.1

in USD millions, for the years ended December 31	General Insurance		Global Life	
	2012	2011	**2012**	2011
Revenues				
Direct written premiums[1]	33,393	32,379	11,043	9,335
Assumed written premiums	2,217	2,193	102	97
Gross Written Premiums	35,610	34,572	11,145	9,432
Policy fees	–	–	2,445	2,152
Gross written premiums and policy fees	35,610	34,572	13,590	11,583
Less premiums ceded to reinsurers	(5,874)	(5,325)	(710)	(682)
Net written premiums and policy fees	29,736	29,247	12,880	10,901
Net change in reserves for unearned premiums	(540)	(171)	(259)	(36)
Net earned premiums and policy fees	29,195	29,076	12,621	10,865
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	2,587	2,807	4,833	4,575
Net investment income on Group investments	2,516	2,799	3,991	4,146
Net capital gains/(losses) and impairments on Group investments	71	8	842	429
Net investment result on unit-linked investments	–	–	9,703	(3,548)
Other income	992	922	1,047	1,012
Total BOP revenues	32,774	32,805	28,203	12,904
of which: inter-segment revenues	*(510)*	*(576)*	*(367)*	*(343)*
Benefits, losses and expenses				
Insurance benefits and losses, net[1]	20,527	20,939	9,592	9,503
Losses and loss adjustment expenses, net	20,547	20,919	–	59
Life insurance death and other benefits, net[1]	(20)	20	9,592	9,444
Policyholder dividends and participation in profits, net	4	9	10,781	(2,826)
Income tax expense/(benefit) attributable to policyholders	–	–	194	(242)
Underwriting and policy acquisition costs, net	5,833	5,581	2,804	2,029
Administrative and other operating expense (excl. depreciation/amortization)	3,894	3,674	2,536	2,394
Interest credited to policyholders and other interest	18	24	403	395
Restructuring provisions and other items not included in BOP	(113)	(238)	(113)	(130)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	30,163	29,988	26,196	11,123
Business operating profit (before interest, depreciation and amortization)	**2,611**	**2,817**	**2,007**	**1,781**
Depreciation and impairments of property and equipment	110	85	32	30
Amortization and impairments of intangible assets	211	278	483	315
Interest expense on debt	141	209	22	56
Business operating profit before non-controlling interests	2,149	2,245	1,471	1,380
Non-controlling interests	52	(2)	132	26
Business operating profit	**2,097**	**2,247**	**1,338**	**1,353**

[1] The Global Life segment includes approximately USD 603 million and USD 936 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in the Group's Spanish operations for the years ended December 31, 2012 and 2011, respectively (see note 3).

Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
–	–	–	–	114	150	–	–	44,550	41,864
4,361	3,529	116	141	113	144	(175)	(220)	6,734	5,884
4,361	3,529	116	141	227	294	(175)	(220)	51,285	47,748
–	–	–	–	248	300	–	–	2,692	2,452
4,361	3,529	116	141	475	594	(175)	(220)	53,977	50,200
–	–	(50)	(59)	(21)	(704)	175	220	(6,481)	(6,550)
4,361	3,529	66	82	454	(110)	–	–	47,496	43,650
56	(545)	–	1	1	2	–	–	(741)	(751)
4,418	2,984	66	83	455	(108)	–	–	46,755	42,899
2,846	2,767	–	–	–	–	–	–	2,846	2,767
124	133	396	524	318	987	(658)	(847)	7,599	8,180
124	133	396	524	342	429	(658)	(847)	6,711	7,185
–	–	–	–	(24)	558	–	–	889	995
–	–	–	–	565	4	–	–	10,268	(3,544)
101	64	931	920	113	105	(1,515)	(1,534)	1,669	1,488
7,489	5,948	1,393	1,527	1,450	988	(2,173)	(2,381)	69,136	51,790
(69)	*(67)*	*(1,171)*	*(1,336)*	*(56)*	*(59)*	*2,173*	*2,381*	–	–
3,198	2,105	56	58	380	475	–	–	33,752	33,080
3,198	2,105	(1)	1	27	(622)	(3)	3	23,769	22,465
–	–	56	57	353	1,097	3	(3)	9,983	10,615
–	–	–	–	694	133	–	–	11,479	(2,685)
–	–	–	–	–	–	–	–	194	(242)
1,383	902	–	16	2	9	(9)	(20)	10,014	8,516
1,334	1,290	1,148	1,193	147	213	(1,483)	(1,490)	7,576	7,274
–	–	6	10	52	57	(3)	(7)	475	479
3	(10)	(24)	(107)	(1)	1	–	–	(248)	(483)
5,918	4,288	1,186	1,170	1,274	888	(1,495)	(1,517)	63,243	45,940
1,571	**1,660**	**207**	**357**	**175**	**100**	**(678)**	**(864)**	**5,892**	**5,851**
53	56	15	14	1	5	–	–	210	191
100	118	79	93	1	1	–	–	874	805
3	–	1,038	1,085	44	100	(678)	(864)	570	586
1,414	1,486	(925)	(835)	129	(7)	–	–	4,238	4,269
–	–	(22)	–	1	1	–	–	164	26
1,414	**1,486**	**(903)**	**(835)**	**128**	**(8)**	**–**	**–**	**4,075**	**4,243**

Consolidated financial statements *continued*

Reconciliation of BOP to net income after income taxes

Table 29.2

in USD millions, for the years ended December 31	General Insurance		Global Life	
	2012	2011	**2012**	2011
Business operating profit	**2,097**	**2,247**	**1,338**	**1,353**
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	1,051	526	352	407
Net gain/(loss) on divestments of businesses	(38)	(5)	3	16
Restructuring provisions	(114)	(145)	(83)	(69)
Net income/(expense) on intercompany loans[1]	(21)	(49)	(2)	(14)
Other adjustments	22	(45)[2]	(28)	(48)[3]
Add back:				
Business operating profit attributable to non-controlling interests	52	(2)	132	26
Net income before shareholders' taxes	**3,049**	**2,528**	**1,712**	**1,672**
Income tax expense/(benefit) attributable to policyholders	–	–	194	(242)
Net income before income taxes	**3,049**	**2,528**	**1,906**	**1,431**
Income tax expense				
attributable to policyholders				
attributable to shareholders				
Net income after taxes				
attributable to non-controlling interests				
attributable to shareholders				

[1] The impact on Group level relates to foreign currency translation differences.
[2] Includes USD 85 million as of December 31, 2011 of software impairments related to a restructuring program impacting several European countries (see notes 17 and 19).
[3] Includes USD 67 million related to a voluntary settlement of an insurance liability in Italy.
[4] Includes USD 100 million charitable commitment to the Z Zurich Foundation.

	Farmers		Other Operating Businesses		Non-Core Businesses		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	1,414	**1,486**	**(903)**	**(835)**	**128**	**(8)**	**4,075**	**4,243**
	18	(12)	(149)	230	41	37	1,312	1,187
	–	–	1	(5)	–	–	(34)	6
	(1)	(9)	(11)	–	(1)	–	(211)	(222)
	–	–	23	65	–	–	–	2
	5	(1)	(36)	(172)[4]	–	1	(38)	(263)
	–	–	(22)	–	1	1	164	26
	1,435	**1,464**	**(1,097)**	**(716)**	**169**	**31**	**5,268**	**4,979**
	–	–	–	–	–	–	194	(242)
	1,435	**1,464**	**(1,097)**	**(716)**	**169**	**31**	**5,462**	**4,738**
							(1,496)	(963)
							(194)	242
							(1,301)	(1,204)
							3,967	**3,775**
							89	25
							3,878	3,750

Consolidated financial statements *continued*

Assets and liabilities by business segment

Table 29.3

in USD millions, as of December 31	General Insurance		Global Life	
	2012	2011	**2012**	2011
Assets				
Total Group Investments	89,557	84,514	113,305	104,643
Cash and cash equivalents	10,795	8,267	3,096	3,342
Equity securities	5,716	5,413	4,467	5,392
Debt securities	65,556	63,097	79,626	69,502
Real estate held for investment	2,827	2,911	5,334	5,130
Mortgage loans	1,460	1,472	7,934	8,177
Other loans	3,197	3,350	12,779	13,035
Investments in associates and joint ventures	7	6	69	65
Investments for unit-linked contracts	–	–	113,349	102,768
Total investments	89,557	84,514	226,653	207,411
Reinsurers' share of reserves for insurance contracts	13,901	13,660	1,983	2,079
Deposits made under assumed reinsurance contracts	46	71	29	19
Deferred policy acquisition costs	3,543	3,482	14,466	13,584
Deferred origination costs	–	–	770	824
Goodwill	852	827	435	413
Other intangible assets	1,375	1,484	4,366	4,856
Other assets[1]	15,642	14,934	6,669	7,167
Total assets (after cons. of investments in subsidiaries)	**124,916**	**118,972**	**255,372**	**236,354**
Liabilities				
Liabilities for investment contracts	–	–	58,131	50,958
Reserves for insurance contracts, gross	82,693	81,029	158,533	148,076
Reserves for losses and loss adjustment expenses, gross	66,542	64,311	–	39
Reserves for unearned premiums, gross	16,023	15,356	–	970
Future life policyholders' benefits, gross	96	92	78,718	75,432
Policyholders' contract deposits and other funds, gross	32	1,269	17,572	14,300
Reserves for unit-linked contracts, gross	–	–	62,243	57,337
Senior debt	6,625	5,354	289	466
Subordinated debt	617	1,038	334	333
Other liabilities[2]	13,970	13,255	18,067	18,502
Total liabilities	**103,905**	**100,676**	**235,354**	**218,335**
Equity				
Common shareholders' equity				
Preferred securities				
Shareholders' equity				
Non-controlling interests				
Total equity				
Total liabilities and equity				
Supplementary information				
Additions and capital improvements to property, equipment and intangible assets	331	368	150	176

[1] As of December 31, 2012 the General Insurance, the Global Life and Farmers segments included assets held for sale amounting to USD 36 million, USD 22 million and USD 31 million, respectively, relating to land and buildings formerly classified as real estate held for investment and the General Insurance segment also includes assets held for sale amounting to USD 10 million, relating to land and buildings formerly classified as real estate held for own use. As of December 31, 2011, the General Insurance and Global Life segments included assets held for sale amounting to USD 38 million and USD 17 million, respectively, relating to the sale of a company in Bolivia (see note 5).

[2] As of December 31, 2011, the General Insurance and Global Life segments included liabilities held for sale amounting to USD 41 million and USD 14 million, respectively, relating to the sale of a company in Bolivia (see note 5).

Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
3,881	4,267	18,503	19,099	12,246	13,119	(28,785)	(27,965)	208,707	197,677
377	580	8,562	8,608	2,517	2,637	(16,249)	(14,552)	9,098	8,882
96	93	1,686	1,533	376	219	–	–	12,341	12,650
1,274	1,295	4,707	4,563	6,250	7,016	(1,819)	(962)	155,594	144,511
101	132	43	42	256	258	–	–	8,561	8,472
–	–	–	–	1,125	1,409	–	–	10,519	11,058
2,033	2,168	3,498	4,347	1,633	1,495	(10,717)	(12,451)	12,423	11,944
–	–	9	6	89	84	–	–	172	161
–	–	–	–	11,877	11,508	–	–	125,226	114,276
3,881	4,267	18,503	19,099	24,123	24,626	(28,785)	(27,965)	333,934	311,953
–	–	–	–	4,042	4,509	(174)	(656)	19,753	19,592
2,319	2,141	–	–	194	508	–	(28)	2,588	2,711
337	352	–	–	–	1	–	–	18,346	17,420
–	–	–	–	–	–	–	–	770	824
819	819	–	–	–	–	–	–	2,107	2,060
1,407	1,434	300	286	1	1	–	–	7,448	8,062
1,071	1,009	1,717	1,906	1,345	1,261	(2,122)	(1,927)	24,322	24,350
9,834	**10,023**	**20,520**	**21,291**	**29,705**	**30,906**	**(31,081)**	**(30,575)**	**409,267**	**386,971**
–	–	–	–	–	–	–	–	58,131	50,958
2,841	2,728	36	39	21,303	21,972	(174)	(637)	265,233	253,207
1,580	1,410	27	28	1,969	2,559	(131)	(586)	69,986	67,762
1,262	1,318	4	4	20	22	(9)	(9)	17,300	17,661
–	–	6	6	5,020	5,097	(33)	(42)	83,807	80,584
–	–	–	–	2,420	2,787	–	–	20,024	18,356
–	–	–	–	11,874	11,507	–	–	74,117	68,844
214	125	24,398	22,826	2,554	2,134	(27,421)	(24,365)	6,660	6,541
–	–	5,788	5,432	23	23	(901)	(1,350)	5,861	5,476
1,325	1,635	1,925	3,221	3,818	4,428	(2,586)	(4,224)	36,521	36,816
4,380	**4,488**	**32,148**	**31,517**	**27,699**	**28,557**	**(31,081)**	**(30,575)**	**372,405**	**352,998**
								34,494	31,484
								–	–
								34,494	31,484
								2,368	2,489
								36,862	33,973
								409,267	**386,971**
120	171	150	124	–	–	–	–	751	840

Financial information

Consolidated financial statements *continued*

Table 29.4

General Insurance – Customer segment overview

in USD millions, for the years ended December 31

	Global Corporate		North America Commercial	
	2012	2011	**2012**	2011
Gross written premiums and policy fees	8,609	7,949	10,003	9,777
Net earned premiums and policy fees	5,499	5,350	7,634	7,644
Insurance benefits and losses, net	4,291	4,564	5,453	5,126
Policyholder dividends and participation in profits, net	1	–	3	8
Total net technical expenses	1,159	1,085	2,152	2,196
Net underwriting result	48	(300)	26	315
Net investment income	573	600	827	979
Net capital gains/(losses) and impairments on investments	17	2	44	8
Net non-technical result (excl. items not included in BOP)	(142)	(133)	(199)	(255)
Business operating profit before non-controlling interests	495	169	698	1,048
Non-controlling interests	(1)	–	(1)	–
Business operating profit	496	169	699	1,048

Ratios, as % of net earned premiums and policy fees

	Global Corporate 2012	Global Corporate 2011	North America Commercial 2012	North America Commercial 2011
Loss ratio	78.0%	85.3%	71.4%	67.0%
Expense ratio	21.1%	20.3%	28.2%	28.8%
Combined ratio	99.1%	105.6%	99.7%	95.9%

Europe		International Markets		GI Global Functions including Group Reinsurance		Eliminations		Total	
2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
11,882	12,932	5,603	4,425	345	401	(832)	(912)	35,610	34,572
11,772	12,647	4,282	3,377	9	58	–	–	29,195	29,076
8,225	8,980	2,583	2,462	(25)	(192)	–	–	20,527	20,939
–	–	–	–	–	–	–	–	4	9
3,237	3,306	1,644	1,180	11	22	(2)	14	8,200	7,804
310	360	55	(265)	22	228	2	(14)	463	324
785	928	269	236	64	57	(2)	(1)	2,516	2,799
1	(1)	9	–	–	–	–	–	71	8
(414)	(351)	(110)	(118)	(37)	(44)	–	15	(901)	(886)
683	935	224	(147)	49	240	–	–	2,149	2,245
(5)	(11)	58	9	–	–	–	–	52	(2)
687	946	166	(156)	49	240	–	–	2,097	2,247
69.9%	71.0%	60.3%	72.9%	nm	nm	n/a	n/a	70.3%	72.0%
27.5%	26.1%	38.4%	34.9%	nm	nm	n/a	n/a	28.1%	26.9%
97.4%	97.2%	98.7%	107.8%	nm	nm	n/a	n/a	98.4%	98.9%

Consolidated financial statements *continued*

Table 29.5

General Insurance – Revenues by region

in USD millions, for the years ended December 31	Gross written premiums and policy fees from external customers		of which Global Corporate	
	2012	2011	**2012**	2011
North America				
United States	12,223	11,494		
Canada	928	930		
Bermuda	10	–		
North America	13,160	12,424	3,343	2,838
Europe				
United Kingdom	3,899	3,878		
Germany	3,110	3,387		
Switzerland	3,243	3,408		
Italy	1,879	2,122		
Spain	1,438	1,671		
Rest of Europe	2,718	2,750		
Europe	16,287	17,215	4,279	4,150
Latin America				
Argentina	393	278		
Brazil	920	571		
Chile	470	270		
Mexico	600	291		
Venezuela	257	244		
Rest of Latin America	34	34		
Latin America	2,674	1,687	–	–
Asia-Pacific				
Australia	1,178	1,114		
Hong Kong	210	182		
Japan	780	736		
Taiwan	129	126		
Rest of Asia-Pacific	420	288		
Asia-Pacific	2,717	2,446	581	590
Middle East	183	118	121	80
Africa				
South Africa	460	539		
Morocco	125	130		
Africa	585	669	19	–
Total	**35,607**	**34,559**	**8,342**	**7,659**

General Insurance – Non-current assets by region

Table 29.6

in USD millions, as of December 31	Property/equipment and intangible assets	
	2012	2011
North America		
United States	223	247
Canada	4	6
Bermuda	24	–
North America	252	254
Europe		
United Kingdom	213	199
Germany	210	210
Switzerland	593	589
Italy	34	49
Spain	346	501
Rest of Europe	605	609
Europe	2,001	2,158
Latin America		
Argentina	11	15
Brazil	234	207
Chile	34	32
Mexico	263	261
Venezuela	16	13
Rest of Latin America	5	5
Latin America	561	534
Asia-Pacific		
Australia	74	79
Hong Kong	13	6
Japan	27	33
Taiwan	9	18
Rest of Asia-Pacific	4	4
Asia-Pacific	128	140
Middle East	43	35
Africa		
South Africa	15	19
Morocco	32	31
Africa	46	50
Total	**3,032**	**3,170**

Consolidated financial statements *continued*

Global Life – Overview

Table 29.7

in USD millions, for the years ended December 31	North America		Latin America	
	2012	2011	**2012**	2011
Revenues				
Life insurance deposits	235	298	2,508	274
Gross written premiums[1]	526	509	2,982	650
Policy fees	297	283	24	24
Gross written premiums and policy fees	823	793	3,005	674
Net earned premiums and policy fees	611	579	2,686	645
Net investment income on Group investments	312	330	254	134
Net capital gains/(losses) and impairments on Group investments	–	–	272	–
Net investment result on Group investments	312	330	526	134
Net investment income on unit-linked investments	(34)	(29)	9	8
Net capital gains/(losses) and impairments on unit-linked investments	59	(18)	1,166	(24)
Net investment result on unit-linked investments	24	(47)	1,175	(16)
Other income	92	97	83	15
Total BOP revenues	1,039	960	4,470	778
Benefits, losses and expenses				
Insurance benefits and losses, net[1]	350	339	1,404	447
Policyholder dividends and participation in profits, net	48	(24)	1,196	(13)
Income tax expense/(benefit) attributable to policyholders	–	–	–	–
Underwriting and policy acquisition costs, net	97	123	964	132
Administrative and other operating expense (excl. depreciation/amortization)	140	129	365	142
Interest credited to policyholders and other interest	147	137	36	5
Restructuring provisions and other items not included in BOP	(1)	1	7	3
Total BOP benefits, losses and expenses	781	704	3,972	717
Business operating profit (before interest, depreciation and amortization)	**258**	**256**	**498**	**61**
Depreciation and impairments of property and equipment	1	1	3	2
Amortization and impairments of intangible assets	9	26	223	2
Interest expense on debt	4	2	(6)	9
Business operating profit before non-controlling interests	244	227	277	49
Non-controlling interests	–	–	122	–
Business operating profit	**244**	**227**	**155**	**49**

[1] Europe includes approximately USD 603 million and USD 936 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in the Group's Spanish operations for the years ended December 31, 2012 and 2011, respectively (see note 3).

	Europe		Asia-Pacific and Middle East		Other		Eliminations		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	11,685	13,244	1,636	1,771	605	541	–	–	16,670	16,127
	6,820	7,640	721	560	137	102	(40)	(30)	11,145	9,432
	1,928	1,715	191	125	5	4	–	–	2,445	2,152
	8,748	9,355	912	686	142	106	(40)	(30)	13,590	11,583
	8,405	8,961	786	580	133	100	–	–	12,621	10,865
	3,225	3,562	188	107	11	13	–	–	3,991	4,146
	552	396	18	33	–	–	–	–	842	429
	3,778	3,957	206	140	11	13	–	–	4,833	4,575
	2,026	2,024	79	106	32	30	–	–	2,112	2,139
	5,586	(4,595)	682	(946)	98	(104)	–	–	7,591	(5,687)
	7,612	(2,572)	761	(840)	131	(74)	–	–	9,703	(3,548)
	332	426	190	197	357	280	(6)	(4)	1,047	1,012
	20,126	10,773	1,943	77	631	320	(6)	(4)	28,203	12,904
	7,480	8,455	293	216	64	47	–	–	9,592	9,503
	8,478	(1,920)	919	(801)	139	(69)	–	–	10,781	(2,826)
	170	(255)	25	14	–	–	–	–	194	(242)
	1,401	1,507	204	156	138	111	–	1	2,804	2,029
	1,419	1,562	327	340	291	225	(6)	(5)	2,536	2,394
	192	224	27	28	1	–	–	–	403	395
	(114)	(127)	7	(7)	(13)	–	–	–	(113)	(130)
	19,025	9,446	1,802	(53)	622	314	(6)	(4)	26,196	11,123
	1,101	**1,327**	**141**	**131**	**9**	**6**	**–**	**–**	**2,007**	**1,781**
	21	23	6	4	–	–	–	–	32	30
	242	279	1	3	7	4	–	–	483	315
	21	43	1	–	2	1	–	–	22	56
	817	981	133	123	–	–	–	–	1,471	1,380
	12	27	(2)	(1)	–	–	–	–	132	26
	805	**953**	**135**	**124**	**–**	**–**	**–**	**–**	**1,338**	**1,353**

Consolidated financial statements *continued*

Table 29.8

Global Life – Revenues by region

in USD millions, for the years ended December 31	Gross written premiums and policy fees from external customers		Life insurance deposits	
	2012	2011	**2012**	**2011**
North America				
United States	823	793	235	298
North America	823	793	235	298
Latin America				
Chile	900	348	–	–
Argentina	78	36	47	44
Bolivia	–	12	–	12
Mexico	352	73	–	–
Venezuela	65	57	–	–
Brazil	1,606	148	2,462	218
Uruguay	5	–	–	–
Latin America	3,005	674	2,508	274
Europe				
United Kingdom	1,773	1,539	6,339	6,359
Germany	2,920	3,273	1,966	2,234
Switzerland	2,047	1,964	141	106
Ireland[1]	479	573	2,497	2,036
Spain	906	1,344	163	1,560
Italy	408	361	488	841
Portugal	30	31	42	53
Austria	135	212	49	55
Europe	8,698	9,296	11,685	13,244
Asia-Pacific and Middle East				
Hong Kong	86	89	133	146
Taiwan	–	–	3	–
Indonesia	1	1	2	–
Australia	332	304	83	79
Japan	99	101	21	22
Malaysia	263	85	–	–
Zurich International Life[2]	130	108	1,395	1,525
Asia-Pacific and Middle East	912	687	1,636	1,771
Other				
Luxembourg[1]	5	4	605	541
International Group Risk Solutions[3]	92	66	–	–
Other	97	70	605	541
Total	**13,535**	**11,520**	**16,670**	**16,127**

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

Global Life – Non-current assets by region

Table 29.9

in USD millions, as of December 31	Property / equipment and intangible assets	
	2012	2011
North America		
United States	165	174
North America	165	174
Latin America		
Chile	472	490
Argentina	96	113
Mexico	256	277
Brazil	965	1,156
Latin America	1,789	2,036
Europe		
United Kingdom	426	415
Germany	743	816
Switzerland	81	60
Ireland[1]	2	3
Spain	1,759	1,833
Italy	122	244
Austria	32	6
Europe	3,164	3,378
Asia-Pacific and Middle East		
Hong Kong	8	7
Indonesia	3	3
Japan	3	3
Singapore	1	–
Malaysia	124	109
Zurich International Life	20	5
Asia-Pacific and Middle East	158	127
Other		
Luxembourg[1]	4	4
Other	4	4
Total	**5,280**	**5,719**

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

Consolidated financial statements *continued*

Farmers – Overview

Table 29.10

in USD millions, for the years ended December 31	Total	
	2012	2011
Farmers Management Services		
Management fees and other related revenues	2,846	2,767
Management and other related expenses	1,467	1,434
Gross management result	1,378	1,333
Other net income (excl. items not included in BOP)	62	36
Business operating profit before non-controlling interest	1,441	1,370
Business operating profit	1,441	1,370
Farmers Re		
Gross written premiums and policy fees	4,361	3,529
Net earned premiums and policy fees	4,418	2,984
Insurance benefits and losses, net	(3,198)	(2,105)
Total net technical expenses	(1,383)	(903)
Net underwriting result	(163)	(23)
Net non-technical result (excl. items not relevant for BOP)	65	58
Net investment income	72	82
Business operating profit before non-controlling interests	(26)	116
Business operating profit	(26)	116
Farmers business operating profit	**1,414**	**1,486**

Ratios, as % of net earned premiums and policy fees		
Farmers Re Combined ratio	103.7%	100.8%

Supplementary information		
Property, equipment and intangible assets	2,403	2,454

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Consolidated financial statements *continued*

Other Operating Businesses – Overview

Table 29.11

in USD millions, for the years ended December 31	Holding & Financing	
	2012	2011
Gross written premiums and policy fees	108	133
Net earned premiums and policy fees	58	74
Net investment income	362	489
Other income	85	94
Total BOP revenues	506	657
Insurance benefits and losses, incl. PH dividends, net	57	57
Underwriting and policy acquisition costs, net	–	15
Administrative and other operating expense (excl. depreciation/amortization)	170	170
Other expenses (excl. items not included in BOP)	(14)	(91)
Depreciation, amortization and impairments of property, equipment and intangible assets	8	3
Interest expense on debt	1,042	1,092
Business operating profit before non-controlling interests	(758)	(589)
Non-controlling interests	(22)	–
Business operating profit	**(736)**	**(589)**

	Headquarters		Eliminations		Total	
	2012	2011	2012	2011	2012	2011
	8	8	–	–	116	141
	8	8	–	–	66	83
	39	43	(5)	(8)	396	524
	1,015	960	(169)	(134)	931	920
	1,062	1,011	(175)	(141)	1,393	1,527
	(1)	1	–	–	56	58
	–	–	–	–	–	16
	1,147	1,156	(169)	(133)	1,148	1,193
	(4)	(5)	–	–	(18)	(96)
	86	104	–	–	94	107
	2	2	(6)	(9)	1,038	1,085
	(167)	(246)	–	–	(925)	(835)
	–	–	–	–	(22)	–
	(167)	**(246)**	**–**	**–**	**(903)**	**(835)**

Consolidated financial statements *continued*

Non-Core Businesses – Overview

Table 29.12

in USD millions, for the years ended December 31	Total	
	2012	2011
Gross written premiums and policy fees	475	594
Net earned premiums and policy fees	455	(108)
Insurance benefits and losses, net	380	475
Policyholder dividends and participation in profits, net	694	133
Total net technical expenses	56	76
Net underwriting result	(675)	(792)
Net investment income	66	47
Net capital gains/(losses) and impairments on investments	816	944
Net non-technical result (excl. items not included in BOP)	(78)	(206)
Business operating profit before non-controlling interests	**129**	**(7)**
Non-controlling interests	1	1
Business operating profit	**128**	**(8)**

30. Significant subsidiaries

Significant subsidiaries

Table 30

as of December 31, 2012	Domicile	Segment[1]	Voting rights %	Ownership interest %	Nominal value of common stock (in local currency millions)	
Australia						
Zurich Australia Limited	Sydney	Global Life	100	100	AUD	0.5
Zurich Australian Insurance Limited	Sydney	General Insurance	100	100	AUD	6.6
Zurich Financial Services Australia Limited	Sydney	General Insurance	100	100	AUD	22.8
Austria						
Zürich Versicherungs-Aktiengesellschaft	Vienna	General Insurance/ Global Life	99.98	99.98	EUR	12.0
Bermuda						
Centre Group Holdings Limited	Hamilton	Non-Core Businesses	100	100	USD	0.3
CMSH Limited	Hamilton	Non-Core Businesses	100	100	USD	0.3
ZCM Holdings (Bermuda) Limited	Hamilton	Non-Core Businesses	100	100	USD	137.0
Zurich International (Bermuda) Ltd.	Hamilton	General Insurance	100	100	USD	9.9
Brazil						
Zurich Santander Brasil Vida e Previdência S.A.[2]	São Paulo	Life Insurance	51	51	BRL	1,659.2
Zurich Minas Brasil Seguros S.A.	Belo Horizonte	General Insurance/ Global Life	100	100	BRL	684.1
Chile						
Chilena Consolidada Seguros de Vida S.A.	Santiago	Global Life	98.98	98.98	CLP	24,484.0
Zurich Santander Seguros de Vida Chile S.A.[2]	Santiago	Global Life	51	51	CLP	108,638.5
Cyprus						
Zurich Insurance Holding (Cyprus) Ltd.[3]	Nicosia	General Insurance	100	100	RUB	5.6
Germany						
Deutscher Herold Aktiengesellschaft[4]	Bonn	Global Life	79.83	79.83	EUR	18.4
Zürich Beteiligungs-Aktiengesellschaft (Deutschland)	Frankfurt	General Insurance	100	100	EUR	152.9
Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft	Bonn	Global Life	86.37	86.37	EUR	68.5
Ireland						
Zurich Life Assurance plc	Dublin	Global Life	100	100	EUR	17.5
Zurich Financial Services EUB Holdings Limited	Dublin	Non-Core Businesses	100	100	GBP	0.001
Zurich Insurance plc	Dublin	General Insurance	100	100	EUR	8.2
Zurich Holding Ireland Limited	Dublin	Other Operating Businesses	100	100	EUR	0.1
Italy						
Zurich Investments Life S.p.A.	Milan	Global Life	100	100	EUR	164.0
Zurich Life and Pensions S.p.A.	Milan	Global Life	100	100	EUR	40.5
Zurich Life Insurance Italia S.p.A.	Milan	Global Life	100	100	EUR	85.8
Luxembourg						
Zurich Eurolife S.A.	Bertrange	Global Life	100	100	EUR	27.0
Zurich Finance (Luxembourg) S.A.	Luxembourg	Other Operating Businesses	100	100	EUR	2.1
Malaysia						
Zurich Insurance Malaysia Berhad	Kuala Lumpur	General Insurance/ Global Life	100	100	MYR	579.0

Consolidated financial statements *continued*

Significant subsidiaries (continued)

Table 30

as of December 31, 2012

	Domicile	Segment[1]	Voting rights %	Ownership interest %	Nominal value of common stock (in local currency millions)	
Mexico						
Zurich Santander Seguros México, S.A.[2]	Mexico City	General Insurance/ Global Life	51	51	MXN	190.0
South Africa						
Zurich Insurance Company South Africa Limited[5]	Johannesburg	General Insurance	84.05	84.05	ZAR	3.0
Spain						
Bansabadell Pensiones, E.G.F.P, S.A.	Barcelona	Global Life	50	50	EUR	7.8
Bansabadell Seguros Generales, S.A. de Seguros y Reaseguros	Barcelona	General Insurance	50	50	EUR	10.0
Bansabadell Vida S.A. de Seguros y Reaseguros	Barcelona	Global Life	50	50	EUR	43.9
Zurich Latin America Holding S.L. – Sociedad Unipersonal[2]	Barcelona	Other Operating Businesses	100	100	EUR	43.0
Zurich Santander Holding (Spain), S.L.[2]	Madrid	Global Life	51	51	EUR	94.3
Zurich Santander Holding Dos (Spain), S.L.[2]	Madrid	Global Life	51	51	EUR	40.0
Zurich Santander Insurance America, S.L.[2]	Madrid	Global Life	51	51	EUR	177.0
Zurich Vida, Compañía de Seguros y Reaseguros, S.A. – Sociedad Unipersonal	Madrid	Global Life	100	100	EUR	56.4
Switzerland						
Genevoise Real Estate Company Ltd	Geneva	Global Life	100	100	CHF	20.4
Zurich Insurance Company Ltd[6]	Zurich	Other Operating Businesses	100	100	CHF	825.0
Zurich Life Insurance Company Ltd[7]	Zurich	Other Operating Businesses	100	100	CHF	60.0
Zurich Investment Management AG	Zurich	Other Operating Businesses	100	100	CHF	10.0
Taiwan						
Zurich Insurance (Taiwan) Ltd.	Taipei	General Insurance	99.73	99.73	TWD	2,000.0
Turkey						
Zurich Sigorta A.S.	Istanbul	General Insurance	100	100	TRY	147.8
United Kingdom						
Allied Zurich Holdings Limited	Jersey, Channel Islands	Other Operating Businesses	100	100	GBP	90.7
Eagle Star Insurance Company Limited	Fareham, England	Non-Core Businesses	100	100	GBP	25.0
Sterling ISA Managers Limited	Swindon, England	Global Life	100	100	GBP	92.9
Zurich Assurance Ltd	Swindon, England	Global Life	100	100	GBP	236.1
Zurich Financial Services (UKISA) Limited	Swindon, England	Other Operating Businesses	100	100	GBP	1,492.1
Zurich Holdings (UK) Limited	Fareham, England	Other Operating Businesses	100	100	GBP	137.3
Zurich International Life Limited	Douglas, Isle of Man	Global Life	100	100	GBP	105.6
Zurich Specialties London Limited	Fareham, England	Non-Core Businesses	100	100	GBP	150.0

Table 30

Significant subsidiaries (continued)

as of December 31, 2012

	Domicile	Segment[1]	Voting rights %	Ownership interest %	Nominal value of common stock (in local currency millions)	
United States of America						
Farmers Group, Inc.[8]	Reno, NV	Farmers	100	100	USD	0.001
Farmers New World Life Insurance Company[8]	Mercer Island, WA	Global Life	100	100	USD	6.6
Farmers Reinsurance Company[8]	Los Angeles, CA	Farmers	100	100	USD	58.8
Farmers Services LLC[9]	Wilmington, DE	Farmers	100	100	USD	–
Zurich American Corporation	Wilmington, DE	Non-Core Businesses	100	100	USD	0.00001
Zurich American Life Insurance Company	Schaumburg, IL	Non-Core Businesses	100	100	USD	2.5
ZFS Finance (USA) LLC V[9]	Wilmington, DE	Other Operating Businesses	100	100	USD	–
Zurich American Insurance Company (and subsidiaries)	New York, NY	General Insurance	100	100	USD	5.0
Zurich Finance (USA), Inc.	Wilmington, DE	Other Operating Businesses	100	100	USD	0.000001
Zurich Holding Company of America, Inc.	Wilmington, DE	Other Operating Businesses	100	100	USD	0.02

1 The segments are defined in the notes to the Consolidated financial statements, note 29, Segment information.
2 Relates to Zurich Santander (see note 5).
3 Zurich Insurance Holding (Cyprus) Limited indirectly holds 99.9% of Zurich Insurance Company Limited in Russia which is a wholly owned subsidiary of the Zurich Insurance Group.
4 In addition buy out options exist which allow the minority shareholders to sell 15.17 percent of the shares of Deutscher Herold Aktiengesellschaft to the Zurich Insurance Group.
5 Listed on the Johannesburg Stock Exchange. On December 31, 2012, the company had a market capitalization of ZAR 3,04 billion (ISIN Number 000094496).
6 The results of the operating activities are included in the General Insurance and Global Life segments, whereas the headquarter's activities are included in Other Operating Businesses.
7 The results of the operating activities are included in the Global Life segment, whereas the headquarter's activities are included in Other Operating Businesses.
8 The ownership percentages in Farmers Group, Inc. and its fully owned subsidiaries have been calculated based on the participation rights of Zurich Insurance Group in a situation of liquidation, dissolution or winding up of Farmers Group, Inc.
9 These entities are LLCs and have no share capital.

Report of the statutory auditor

Report of the Statutory Auditor

To the General Meeting of Zurich Insurance Group Ltd

Report of the statutory auditor on the Consolidated financial statements

As statutory auditor, we have audited the Consolidated financial statements of Zurich Insurance Group Ltd, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity, and notes (pages 112 to 152 and 165 to 285), for the year ended December 31, 2012.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation of the Consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of Consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these Consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the Consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the Consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the Consolidated financial statements for the year ended December 31, 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of Consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the Consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Richard Burger	Stephen O'Hearn
Audit expert	Global relationship partner
Auditor in charge	

Zurich, February 13, 2013

Embedded value report

Zurich produces and reports Market Consistent Embedded Value in accordance with the Market Consistent Embedded Value Principles and Guidance issued by the CFO Forum in October 2009 to provide an economic view of the value of the life business to shareholders in order to support financial management and strategic decision making. This report provides an overview of the movement in the Market Consistent Embedded Value over the previous year and New Business Value added from new sales during the same period, including further splits into constituent parts and geographical regions.

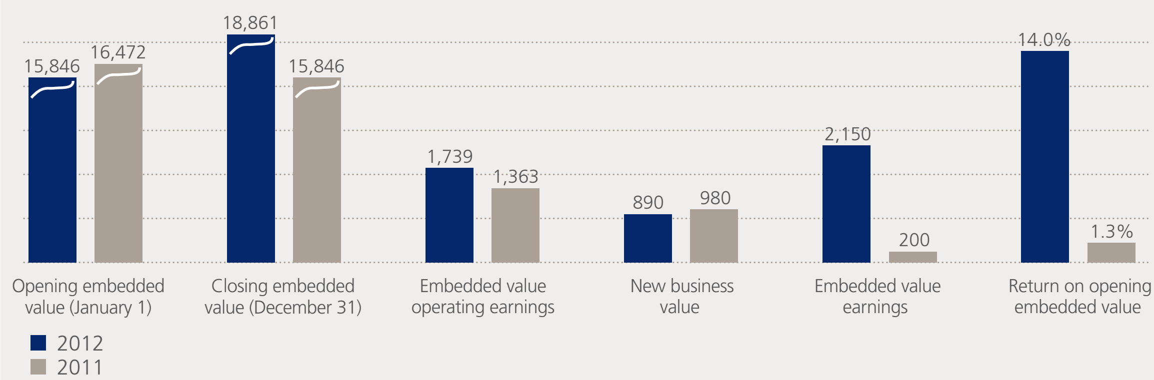
Contents

This report describes the development of the embedded value of the Zurich Insurance Group (the Group) for the year ended December 31, 2012.

The majority of this report, Sections 1 to 9, relates to Global Life, but summary information relating to the non-core life business is given in Section 10 and to the total Group in Section 11.

Embedded value report – executive summary

Key results
in USD millions, for the years ended December 31



Embedded value key results

in USD millions, for the years ended December 31	2012[1,2,3,4]	2011[1,2]	Change
Opening embedded value	15,846	16,472	(627)
Closing embedded value	18,861	15,846	3,016
Embedded value operating earnings	1,739	1,363	376
of which new business value	*890*	*980*	*(90)*
Embedded value earnings	2,150	200	1,950
Return on opening embedded value	14.0%	1.3%	12.8%

[1] A refinement in methodology for calculating new business value for corporate protection business was introduced in 2011, see embedded value assumptions Section 13 b). This has a transitional impact over two years from the implementation date relating to renewals of business in force at the date of the change. The renewed business contributed USD 68 million of new business value in 2012, compared with USD 126 million in 2011.
[2] A liquidity premium has been included in the time value of options and guarantees since December 31, 2011.
[3] Embedded value for Zurich Santander and Zurich Insurance Malaysia Berhad (ZIMB) is included in the end of year Global Life embedded value result. See section 6 for further details.
[4] New business for 2012 does not include any amounts from Zurich Santander or Zurich Insurance Malaysia Berhad (ZIMB). The new business value from Zurich Santander and ZIMB for the year 2012 was USD 195 million. See section 6 for further details.

Embedded value operating earnings were USD 1,739 million. Of this, USD 954 million was the expected emergence of value from in-force business and USD 890 million from new business, partially offset by adverse operating variances of USD 105 million arising from experience variances and assumption changes.

New business value of USD 890 million has decreased by USD 90 million or 9 percent compared with 2011. After adjusting for the transitional impact of corporate protection business renewals, the new business value on a local currency basis was flat compared with 2011. New business value for the acquired businesses of Zurich Santander and Zurich Insurance Malaysia Berhad (ZIMB) was USD 195 million for the year 2012. New business for these businesses has not been included in the Global Life new business result. See section 6 for further details.

Embedded value earnings were USD 2,150 million, generating a return on embedded value of 14.0 percent. This increase was the result of the strong operating earnings and favorable economic variances.

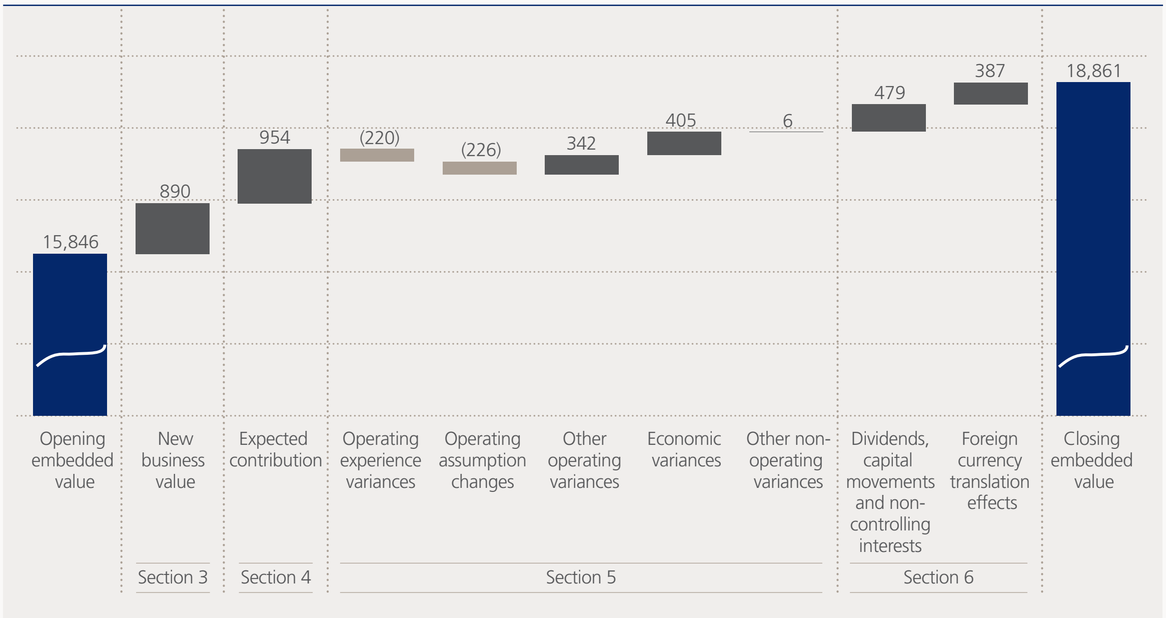
Embedded value report *continued*

1. Analysis of embedded value earnings

The graph and table below show how the embedded value has moved from USD 15,846 million to USD 18,861 million over the 2012 calendar year. Each movement is described in its own section of the report as detailed on the graph below.

Embedded value development

in USD millions, for the year ended December 31, 2012



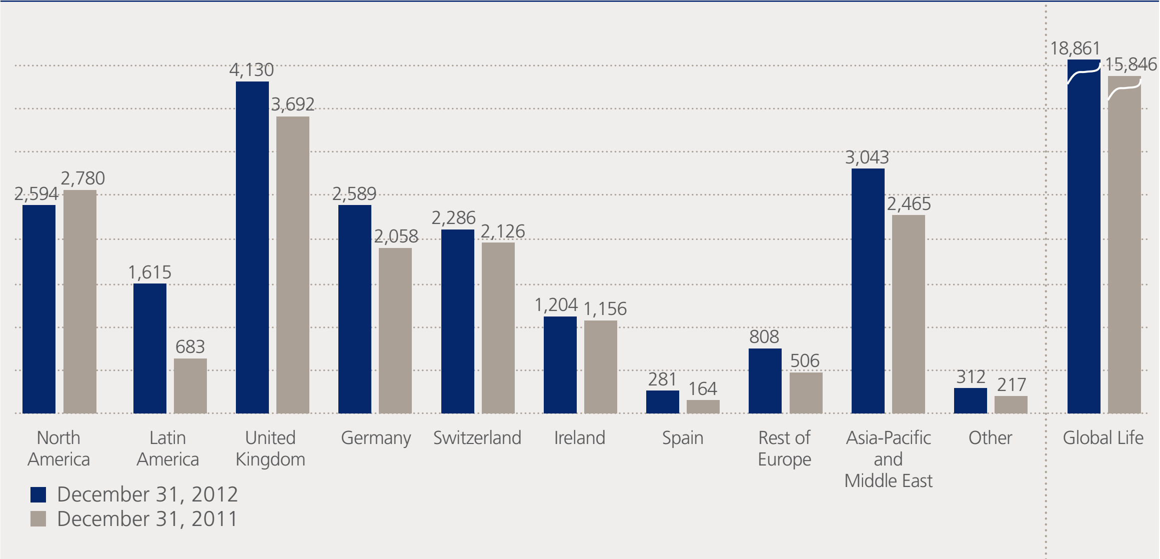
Analysis of embedded value earnings

in USD millions, for the years ended December 31	2012					2011
	Required capital	Free surplus	Share-holders' net assets	Value of business in force	Total	Total
Opening embedded value	**5,145**	**1,243**	**6,388**	**9,457**	**15,846**	**16,472**
Dividends & capital movements start of period	(342)	(99)	**(442)**	**(92)**	**(534)**	**(525)**
New business value	**(93)[1]**	**(747)**	**(840)**	**1,730**	**890**	**980**
New business net of non-controlling interests	*(109)[1]*	*(726)*	*(836)*	*1,679*	*844*	*926*
Expected contribution at reference rate	36	54	**90**	**183**	**274**	**205**
Expected contribution in excess of reference rate	(21)	27	**6**	**674**	**680**	**535**
Transfer to shareholders' net assets	470[1]	671	**1,141**	**(1,141)**	**–**	**–**
Operating experience variances	61	(71)	**(11)**	**(210)**	**(220)**	**(63)**
Operating assumption changes	23	(93)	**(70)**	**(157)**	**(226)**	**(151)**
Other operating variances	(268)	314	**46**	**296**	**342**	**(143)**
Operating earnings	**207**	**155**	**362**	**1,377**	**1,739**	**1,363**
Economic variances	(320)	569	**249**	**157**	**405**	**(1,322)**
Other non-operating variances	79	(17)	**62**	**(56)**	**6**	**160**
Embedded value earnings	**(34)**	**707**	**673**	**1,477**	**2,150**	**200**
Non-controlling interests	(16)	21	**5**	**(51)**	**(46)**	**(54)**
Dividends & capital movements end of period	367	375	**742**	**318**	**1,059**	**(55)**
Foreign currency translation effects	102	35	**137**	**250**	**387**	**(194)**
Closing embedded value	**5,222**	**2,280**	**7,502**	**11,359**	**18,861**	**15,846**

[1] As noted in Section 12 c), the UK's required capital and free surplus allow for a Pillar 2 basis.

Embedded value by geographical region

in USD millions



In **North America,** embedded value decreased by USD 186 million. Dividends and negative impacts from assumption changes outweigh positive contributions from new business value and the expected return on the opening position. Dividends to the Group were USD 236 million.

Embedded value increased in **Latin America** by USD 932 million to USD 1,615 million, mainly due to the inclusion of the Zurich Santander embedded value as at December 31, 2012. The embedded value added by Zurich Santander was USD 820 million.

In the **UK,** embedded value increased by USD 438 million. The main drivers were strong new business value, modeling changes and favorable exchange rate movements partially offset by economic variances.

In **Germany,** positive impacts came from various modeling changes. These were partially offset by expense assumption updates and other operating variances. The net impact on the embedded value was an increase of USD 531 million.

Embedded value in **Switzerland** increased by USD 160 million following positive investment variance that was to some extent offset by capital movements.

In **Ireland,** stable new business value and good unit-linked performance were partially offset by adverse persistency. The total embedded value increased by USD 47 million.

In **Spain**, embedded value increased by USD 117 million due to continued strong new business performance and a model enhancement.

In **Rest of Europe,** embedded value increased by USD 302 million, mainly from positive investment variances as credit spreads narrowed in Italy and Portugal.

In **Asia-Pacific and Middle East,** embedded value increased by USD 578 million. The main drivers were the inclusion of the ZIMB embedded value, contributing USD 340 million, and new business value of USD 125 million from the existing business in the region.

In **Other**, the embedded value increased by USD 95 million mainly due to new business value contribution.

Embedded value report *continued*

2. Free surplus

Required capital is the amount of shareholders' net asset value required to cover the target capital requirement, covering both minimum solvency margin and target excess solvency margin. Free surplus is the difference between the target capital requirement and the shareholders' net asset value.

Shareholders' net assets

in USD millions, as of December 31, 2012 and December 31, 2011	2012				2011
	Shareholders' net assets	**Required capital**	**Required capital (% SM)**[1]	**Free surplus**	**Free surplus**
North America	473	527	300.8%	(53)	114
Latin America	1,081	488	108.3%	593	248
Europe	4,574	3,286	121.8%	1,288	565
of which:					
United Kingdom	*1,011*	*1,015*	*134.4%*	*(3)*	*(265)*
Germany	*1,931*	*764*	*100.6%*	*1,167*	*1,035*
Switzerland	*284*	*271*	*100.0%*	*13*	*15*
Ireland	*423*	*387*	*149.1%*	*36*	*68*
Spain	*250*	*334*	*125.0%*	*(83)*	*(148)*
Rest of Europe	*674*	*515*	*133.5%*	*159*	*(140)*
Asia-Pacific and Middle East	1,277	877	117.3%	400	259
Other	97	44	101.5%	53	58
Global Life	**7,502**	**5,222**	**126.9%**	**2,280**	**1,243**

[1] SM is the local minimum solvency margin.

In **North America,** free surplus reduced mainly from dividend payments to the Group of USD 236 million.

In **Latin America,** free surplus increased by USD 345 million, mainly as a result of the inclusion of the Zurich Santander business. Without the inclusion of Zurich Santander business free surplus decreased by USD 15 million as capital was used to invest in the region.

In the **UK**, free surplus increased by USD 262 million mainly due to a release of required capital.

In **Germany** and **Switzerland,** surplus in the main life insurance entities is treated as required capital and free surplus is related to other companies included in the covered business. The increase in free surplus in Germany is mainly related to growth in assets outside of the main life insurance entities. In Switzerland, free surplus in 2012 was largely flat.

In **Ireland,** free surplus decreased by USD 32 million due to business development costs.

In **Spain,** free surplus increased mainly due to positive investment performance and a capital transfer from the Group.

In **Rest of Europe,** free surplus increased by USD 299 million. This was mainly due to positive investment variances as credit spreads narrowed in Italy and Portugal.

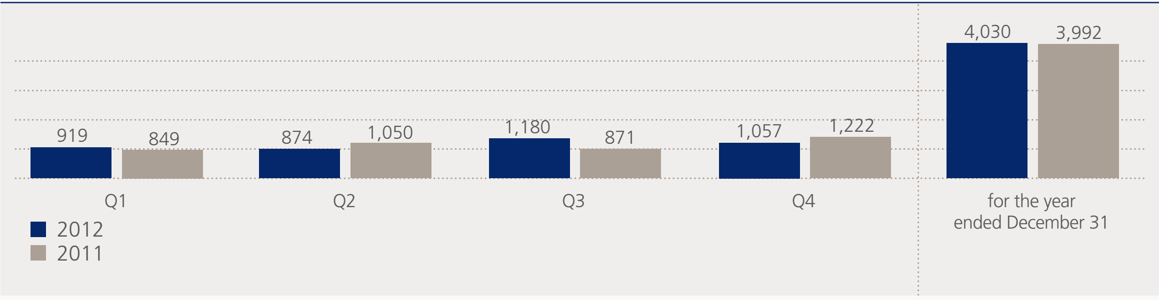
In **Asia-Pacific and Middle East,** free surplus increased mainly due to the inclusion of the ZIMB business.

In **Other,** free surplus decreased by USD 4 million.

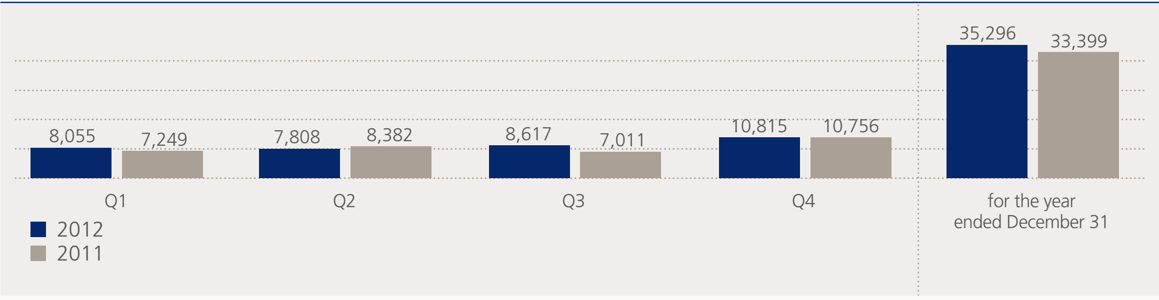
3. New business

Global Life

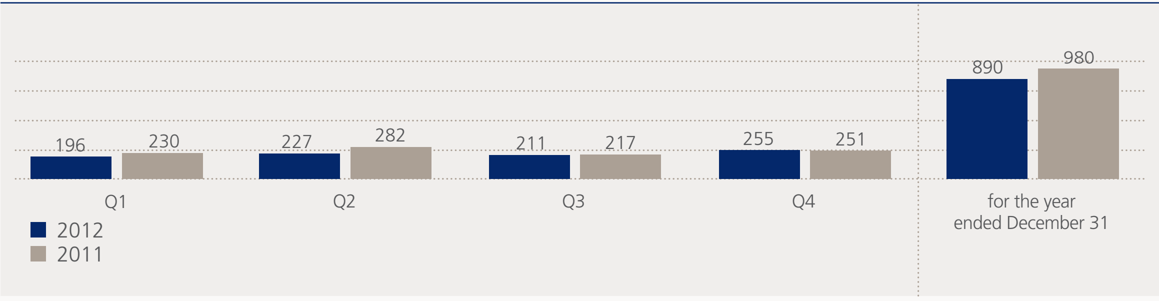
Annual premium equivalent (APE)
in USD millions



Present value of new business premiums (PVNBP)
in USD millions

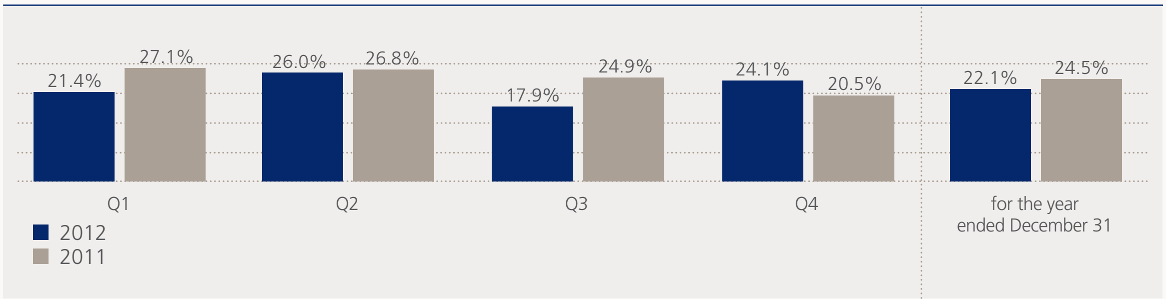


New business value
in USD millions

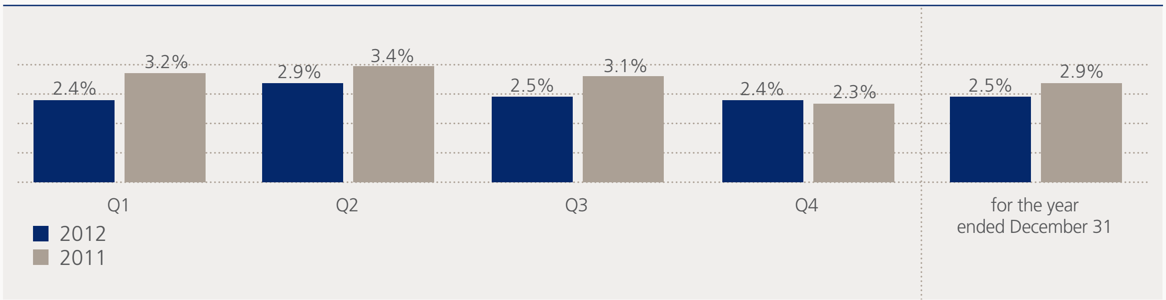


Embedded value report *continued*

New business margin (%APE)
in percent



New business margin (%PVNBP)
in percent



New business by quarter

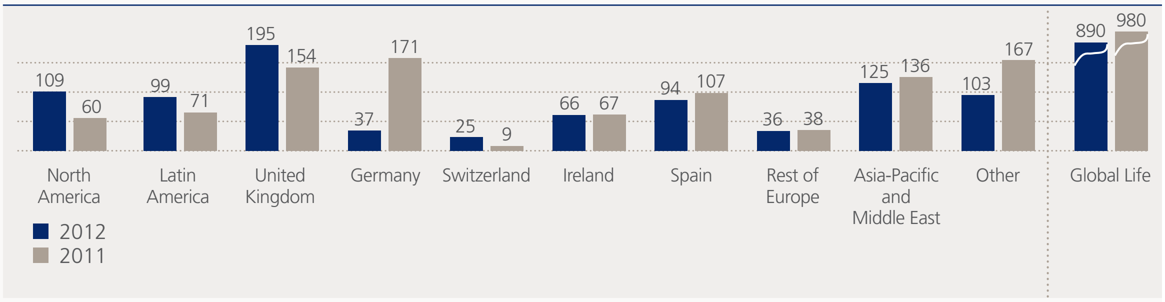
in USD millions	2012					2011				
	Q1	Q2	Q3	Q4	Q4 YTD	Q1	Q2	Q3	Q4	Q4 YTD
Annual premium equivalent (APE)[1]	**919**	**874**	**1,180**	**1,057**	**4,030**	**849**	**1,050**	**871**	**1,222**	**3,992**
Annual premiums	582	529	906	661	2,677	499	645	531	704	2,379
Single premiums	3,371	3,451	2,741	3,964	13,527	3,496	4,051	3,402	5,175	16,125
Present value of new business premiums (PVNBP)[2]	8,055	7,808	8,617	10,815	35,296	7,249	8,382	7,011	10,756	33,399
Average annual premium multiplier	8.1	8.2	6.5	10.4	8.1	7.5	6.7	6.8	7.9	7.3
New business value	**196**	**227**	**211**	**255**	**890**	**230**	**282**	**217**	**251**	**980**
New business margin (% of APE)	**21.4%**	**26.0%**	**17.9%**	**24.1%**	**22.1%**	**27.1%**	**26.8%**	**24.9%**	**20.5%**	**24.5%**
New business margin (% of PVNBP)	**2.4%**	**2.9%**	**2.5%**	**2.4%**	**2.5%**	**3.2%**	**3.4%**	**3.1%**	**2.3%**	**2.9%**

[1] APE is measured as new annual premiums plus 10 percent of new single premiums.
[2] PVNBP is measured as new single premiums plus the present value of new annual premiums.

Geographical region

New business value by geographical region

in USD millions, for the years ended December 31



New business by geographical region

in USD millions, for the years ended December 31	APE		PVNBP		New business value		New business margin			
							% of APE		% of PVNBP	
	2012	2011	**2012**	2011	**2012[2,3]**	2011[1]	**2012[2,3]**	2011[1]	**2012[2,3]**	2011[1]
North America	125	111	1,227	1,024	109	60	87.1%	54.3%	8.9%	5.9%
Latin America	755	313	2,458	1,320	99	71	13.2%	22.6%	4.0%	5.3%
Europe	2,538	2,883	26,998	26,784	453	547	17.9%	19.0%	1.7%	2.0%
of which:										
United Kingdom	*1,194*	*1,235*	*14,112*	*11,830*	*195*	*154*	*16.4%*	*12.5%*	*1.4%*	*1.3%*
Germany	*453*	*588*	*4,503*	*5,530*	*37*	*171*	*8.2%*	*29.1%*	*0.8%*	*3.1%*
Switzerland	*220*	*151*	*2,544*	*1,593*	*25*	*9*	*11.5%*	*6.0%*	*1.0%*	*0.6%*
Ireland	*355*	*331*	*3,033*	*2,720*	*66*	*67*	*18.5%*	*20.2%*	*2.2%*	*2.5%*
Spain	*149*	*367*	*1,335*	*3,328*	*94*	*107*	*62.9%*	*29.2%*	*7.0%*	*3.2%*
Rest of Europe	*167*	*212*	*1,471*	*1,782*	*36*	*38*	*21.5%*	*18.0%*	*2.4%*	*2.1%*
Asia-Pacific and Middle East	464	524	3,058	2,943	125	136	26.9%	25.9%	4.1%	4.6%
Other	147	161	1,554	1,328	103	167	70.1%	103.7%	6.6%	12.5%
Global Life	**4,030**	**3,992**	**35,296**	**33,399**	**890**	**980**	**22.1%**	**24.5%**	**2.5%**	**2.9%**

[1] A refinement in methodology for calculating new business value for corporate protection business was introduced in 2011, see embedded value assumptions Section 13 b). This has a transitional impact over two years from the implementation date relating to renewals of business in force at the date of the change. The renewed business contributed USD 68 million of new business value in 2012, compared with USD 126 million in 2011.
[2] A liquidity premium has been included in the time value of options and guarantees since December 31, 2011.
[3] New business for 2012 does not include any amounts from Zurich Santander or Zurich Insurance Malaysia Berhad (ZIMB). The new business value from Zurich Santander and ZIMB for 2012 was USD 195 million. See section 6 for further details.

Annual premium equivalent (APE) increased in **North America** due to higher volumes and sales of new products launched in the North American market. Margins increased on protection business as a result of price increases, improved utilization of reinsurance and lower interest rates. In total, new business value increased by USD 49 million or 81 percent compared with 2011.

Latin America, excluding Zurich Santander, reported an increase in APE of USD 443 million mainly as a result of the successful participation in the Social Security (SIS) biennial bid process in Chile. Other contributions came from increased sales of Corporate Life and Pensions business in Mexico. New business value increased by USD 29 million or 50 percent on a local currency basis, reflecting lower margins on the Chile SIS contract.

Overall in **Europe,** APE reduced by USD 345 million or 8 percent on a local currency basis. Although APE was down across the region, Switzerland and Ireland increased APE compared with 2011. Loss of margin in Germany and the decrease in APE were the main drivers of reduced new business value. This was partially offset by increased margins in the UK, Switzerland, Spain and Italy. Overall, new business value reduced by USD 93 million or 13 percent on a local currency basis.

Embedded value report *continued*

In the **UK,** APE decreased by USD 41 million or 2 percent on a local currency basis. The main driver was a reduction in sales of savings business. However there was an increase in margin due to changes in tax legislation, protection product repricing and improved utilization of reinsurance. New business value increased by USD 41 million or 28 percent on a local currency basis.

In **Germany,** APE and margins reduced. The reduction in margin was mainly attributable to lower interest rates, resulting in reduced spreads on traditional business. As a result, new business value reduced by USD 134 million or 77 percent on a local currency basis.

In **Switzerland,** APE increased by USD 69 million, mainly due to a change to the method of recognizing group pension premiums. This also had the effect of reducing the margin for this type of business. However, margins for unit-linked products and lower guaranteed interest rates on traditional business increased the overall margin. New business value increased by USD 16 million or 196 percent on a local currency basis.

In **Ireland,** APE increased by USD 24 million or 16 percent on a local currency basis. Domestic APE reduced due to the challenging domestic Irish market. Cross border APE increased by over 50 percent, mainly due to sales in Italy. Total new business value reduced by USD 1 million, although it increased by 7 percent on a local currency basis.

In **Spain,** volume as measured by APE, decreased due to lower sales of savings products, although sales of protection business were stable. As the business mix shifted from savings business to more profitable protection business, margins increased. In total, new business value reduced by USD 13 million or 5 percent on a local currency basis compared with 2011.

In **Rest of Europe,** APE reduced by USD 46 million or 15 percent on a local currency basis, mainly due to lower sales of savings business in Italy. This was offset by higher margins in Italy and Portugal which led to new business reducing by USD 2 million or an increase of 2 percent on a local currency basis.

For **Asia-Pacific and Middle East,** the APE reduced by USD 60 million or 11 percent on a local currency basis. This was driven by lower sales of unit-linked business. New business value reduced by USD 11 million or 7 percent on a local currency basis.

In the **Other** region, new business value before the methodology refinements was down 8 percent on a local currency basis compared with the same period of 2011. The effect of the inclusion of the renewal methodology was lower in 2012 resulting in a decrease in new business value after methodology refinements.

4. Expected contribution and transfer to shareholders' net assets

Expected contribution at reference rate
The expected contribution at reference rate is the projected change in the embedded value over the year using risk-free investment returns applicable at the start of the year. Expected contribution in relation to risk-free rates was higher in 2012 compared with 2011.

Expected contribution in excess of reference rate
The expected contribution in excess of reference rate is the additional value expected to be created if "real world" expected investment returns were to emerge. The expected return in excess of the risk-free rate on sovereign debt in some European countries has increased compared with 2011.

Transfer to shareholders' net assets
The expected transfer to shareholders' net assets shows the profits expected to emerge during the year in respect of business that was in-force at the start of the year. The net effect on embedded value is zero, as the reduction in the value of business in-force is offset by an increase in shareholders' net assets.

Embedded value report *continued*

5. Operating, economic and other non-operating variances

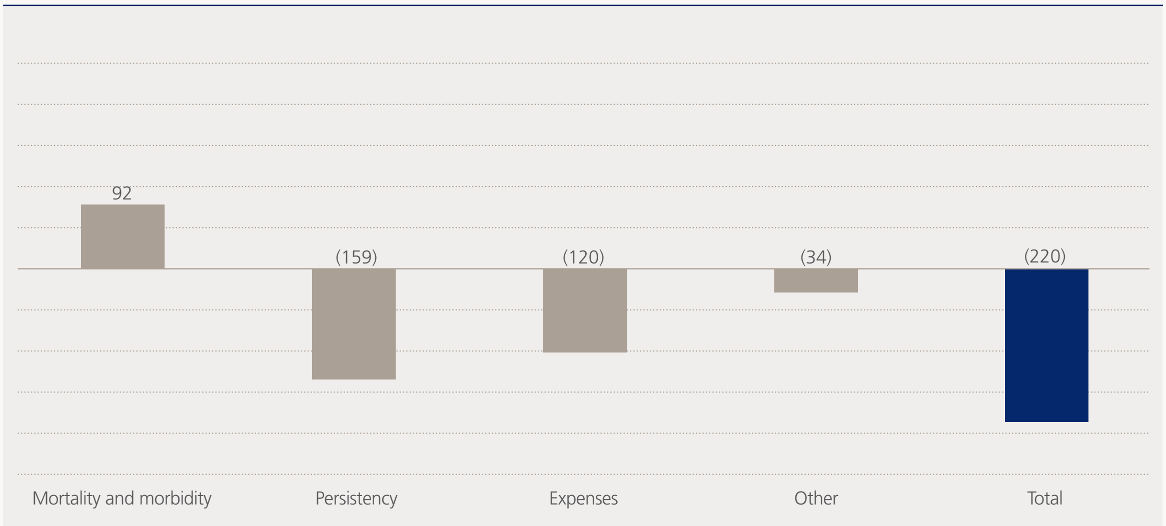
Operating, economic and other non-operating variances

in USD millions, for the year ended December 31, 2012	Operating experience variances	Operating assumption changes	Other operating variances	Economic variances	Other non-operating variances
North America	(24)	(113)	(221)	99	30
Latin America	(20)	(14)	(22)	(11)	(2)
Europe	(124)	(102)	593	224	37
of which:					
United Kingdom	*(52)*	*(29)*	*197*	*(269)*	*17*
Germany	*2*	*(28)*	*286*	*(14)*	*1*
Switzerland	*(5)*	*(13)*	*79*	*192*	*24*
Ireland	*(51)*	*(49)*	*(26)*	*52*	*–*
Spain	*(18)*	*2*	*126*	*(18)*	*(1)*
Rest of Europe	*–*	*14*	*(70)*	*280*	*(5)*
Asia-Pacific and Middle East	(50)	(4)	(16)	86	(62)
Other	(2)	6	8	7	3
Global Life	**(220)**	**(226)**	**342**	**405**	**6**

Operating experience variances

Operating experience variances measure the difference between actual experience during the period and that implied by the operating assumptions. Experience variations occur in the normal course of business as short-term experience fluctuates around long-term assumptions.

Embedded value split of operating experience variance
in USD millions, for the year ended December 31, 2012



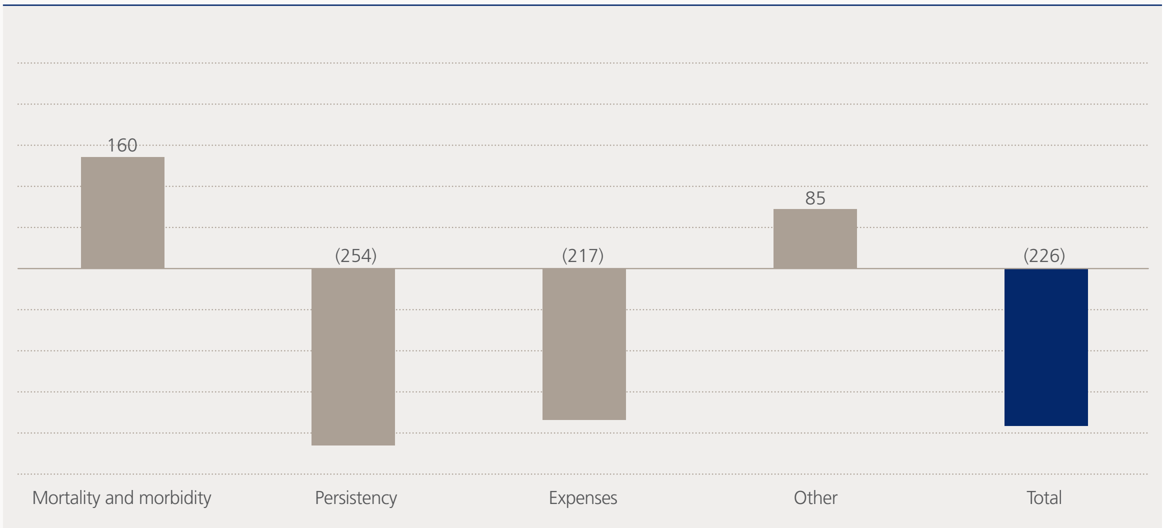
- **Mortality and morbidity** experience increased embedded value by USD 92 million. The main positive experience variances were USD 33 million in the UK and USD 34 million in Latin America.
- **Persistency** experience decreased embedded value by USD 159 million. The difficult market conditions in Ireland and Asia-Pacific and Middle East together reduced embedded value by USD 89 million. Experience in Latin America further reduced embedded value by USD 24 million with the loss of some large policies in Mexico.
- **Expense** experience reduced embedded value by USD 120 million. The main drivers of this were USD 25 million in North America, USD 34 million in Latin America and USD 33 million in the UK.

- **Other** operating experience variances negatively impacted embedded value by USD 34 million. The main contributor was the UK.

Operating assumption changes

Changes in assumptions about future operating experience also have an impact on operating variances.

Embedded value split of operating assumption changes
in USD millions, for the year ended December 31, 2012



- **Mortality and morbidity** assumption updates increased embedded value by USD 160 million. The main contributors were North America and the UK contributing USD 51 million and USD 47 million respectively.

- **Persistency** assumption updates negatively impacted embedded value by USD 254 million. The main drivers were North America and Ireland contributing USD 154 million and USD 84 million respectively.

- **Expense** assumption changes reduced embedded value by USD 217 million. The main contributor was the UK, where updated expense assumptions decreased embedded value by USD 122 million. Germany, Switzerland and North America also made assumption updates with smaller negative impacts on embedded value partially offset by an update in Ireland with a positive impact on embedded value.

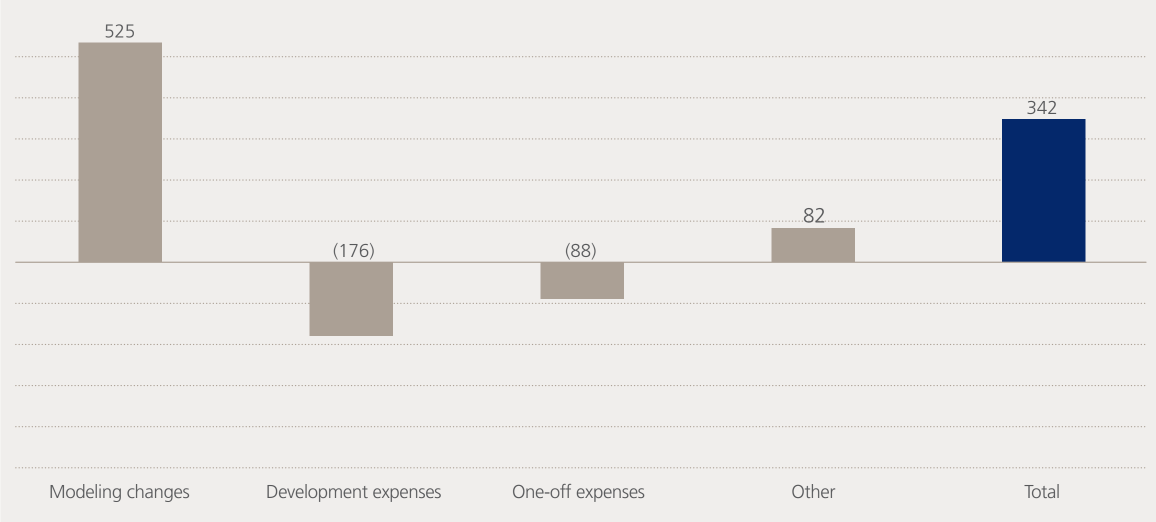
- **Other** assumption changes increased embedded value by USD 85 million, mainly as a result of a restructuring of reinsurance in the UK and increased fund management charges in Asia-Pacific and Middle East.

Embedded value report *continued*

Other operating variances

Other operating variances include modeling changes and non-recurring expenses and operating variances not captured elsewhere.

Embedded value split of other operating variances
in USD millions, for the year ended December 31, 2012



- **Modeling changes** increased embedded value by USD 525 million. In the UK, various model enhancements mainly relating to savings business improved embedded value by USD 249 million. In Germany a model review to reflect the impact of the persistent economic environment and the changing regulatory framework had a net positive impact on embedded value of USD 327 million. In Spain and Switzerland, general enhancements to the valuation models increased value by USD 128 million and USD 75 million respectively. These were offset by USD 186 million in North America mainly as a result of a change in the modeling of a captive arrangement.

- **Development expenses** reduced embedded value by USD 176 million. This was predominantly made up of USD 60 million to fund a new platform in the UK, USD 35 million to fund hub development in Ireland and USD 34 million to expand operations in Asia-Pacific and Middle East.

- **One-off expenses** reduced embedded value by USD 88 million, mainly driven by efficiency improvement and other projects in the UK and Ireland.

- **Other** operating variances not captured elsewhere increased embedded value by USD 82 million. The main positive contribution was in the UK where more accurate accruals for commissions meant writing off provisions no longer needed as well as improved utilization of reinsurance which increased value by USD 42 million in total.

Economic variances

Economic variances arise from the differences between the actual experience during the period and those implied by the economic assumptions at the start of the period. Economic variances also include the impact of changes in assumptions in respect of future economic experience at the end of the period. In total, economic variances increased embedded value by USD 405 million in 2012.

In 2012, both risk free rates and the liquidity premium spread reduced for the major currencies and in particular the euro and the pound sterling. The yields on sovereign debt were volatile across Europe, but spreads have generally reduced over the year. These movements are most significant for spread business and traditional participating business and as a result investment performance was positive in Italy and Portugal. In Switzerland, revaluation of the real estate portfolio had a positive impact. The UK suffered from performance below expectations in their unit-linked funds. Yield curve movements had some negative impacts on the valuation of future profits, most notably in Italy.

Outside Europe, reduced interest rates positively affected the economic variance on protection business in North America and in Asia-Pacific and Middle East.

Other non-operating variances

Other non-operating variances include the impact of legal, tax and regulatory changes in the year as well as other significant one-off items.

Impact on embedded value of other non-operating variances was USD 6 million. Positive impacts in North America and Switzerland were offset by exchange rate impacts from Asia-Pacific and Middle East.

Embedded value report *continued*

6. Acquisitions, capital movements and adjustments

Acquisitions

In 2011, the Group acquired businesses in Malaysia and Latin America. The impact of these transactions has now been included for the first time in the Global Life embedded value as of December 31, 2012.

The life business acquired in Malaysia has been included in the Group consolidated IFRS accounts since December 31, 2011. However this is the first time the embedded value has been reported in Global Life and it has been recorded as a transfer in at the end of the period. Previously the value of this business was included as the unadjusted IFRS net asset value in the non-covered business which was consolidated in the Group MCEV.

In Latin America, the Group acquired a 51 percent stake in the insurance operations of Banco Santander S.A. in Argentina, Brazil, Uruguay, Chile and Mexico. As part of the acquisition the Group also entered into a long-term distribution agreement with Santander in Latin America. The end of period embedded value of the acquired life business has also been included in the covered business for the first time and recorded as a transfer in at the end of the period. Previously the value of this business was included in the non-covered business as the unadjusted IFRS net asset value and consolidated in the Group MCEV.

The contribution to embedded value net of non-controlling interests from the ZIMB and the Zurich Santander business as of December 31, 2012, was USD 1,160 million. The unadjusted IFRS net asset value of USD 1,422 million corresponding to these businesses has been removed from the non-covered business reported in the Group MCEV in section 11. The new business value of ZIMB and Zurich Santander has not been consolidated in the Global Life new business value 2012 result. The new business value for the year ended December 31, 2012 for these businesses was USD 195 million gross of non-controlling interests.

Dividends and capital movements

Dividends and capital movements reflect dividends paid by Global Life to the Group, shown as a negative number in the table below, and capital received from the Group, shown as a positive number in the table. Capital movements can also relate to the value of business in-force in respect of acquisitions and disposals, or corporate restructuring.

Dividend and capital movements

in USD millions, as of December 31, 2012	**Total**
North America	(236)
Latin America	864
Europe	(424)
of which:	
United Kingdom	*19*
Germany	*(35)*
Switzerland	*(365)*
Ireland	*13*
Spain	*(48)*
Rest of Europe	*(8)*
Asia-Pacific and Middle East	360
Other	(39)
Global Life	**525**

Changes in value for Global Life arising from dividend and capital movements are offset by equal and opposite value changes in the non-covered businesses of the Group and therefore have no impact on Group MCEV as shown in Section 11, except as noted below.

In Switzerland, the reported statutory capital was reduced by USD 278 million due to an opening accounting adjustment related to the initial consolidation of an investment subsidiary. Although this had no impact on IFRS accounts, this amount was not offset by an increase elsewhere and as a result Group MCEV was reduced. In addition, a dividend of USD 86 million was paid from Switzerland to the Group.

In North America, a dividend of USD 236 million was paid to the Group.

The large capital injections seen in Latin America and Asia-Pacific and Middle East mainly correspond to the inclusion of the Zurich Santander and ZIMB.

Non-controlling interests
The adjustment to embedded value to remove non-controlling interests from new business value is included here and it largely arose from the interests of non-controlling shareholders in Spain and Germany.

Foreign currency translation effects
Foreign currency translation effects represent the impact of adjusting values to end-of-period exchange rates. The weakening of the U.S. dollar against other currencies increased the U.S. dollar embedded value by USD 387 million.

Embedded value report *continued*

7. Value of business in-force

Components of value of business in-force

in USD millions, as of December 31, 2012 and December 31, 2011	2012					2011
	CE[1]	FC[2]	TVFOG[3]	CRNHR[4]	Value of business in-force	Value of business in-force
North America	2,717	(63)	(270)	(264)	**2,120**	**2,208**
Latin America	638	(30)	(21)	(53)	**534**	**267**
Europe	8,621	(409)	(860)	(629)	**6,724**	**5,340**
of which:						
United Kingdom	*3,360*	*(55)*	*(49)*	*(137)*	*3,119*	*2,703*
Germany	*1,503*	*(289)*	*(319)*	*(237)*	*658*	*316*
Switzerland	*2,427*	*(14)*	*(246)*	*(165)*	*2,002*	*1,456*
Ireland	*861*	*(13)*	*(26)*	*(41)*	*781*	*726*
Spain	*71*	*(13)*	*(3)*	*(25)*	*31*	*(18)*
Rest of Europe	*399*	*(25)*	*(217)*	*(24)*	*134*	*157*
Asia-Pacific and Middle East	1,994	(91)	(15)	(122)	**1,766**	**1,512**
Other	231	(4)	–	(12)	**215**	**130**
Global Life	**14,201**	**(597)**	**(1,165)**	**(1,080)**	**11,359**	**9,457**

[1] CE is the certainty equivalent value of business in-force.
[2] FC is the frictional cost.
[3] TVFOG is the time value of financial options and guarantees including the application of a liquidity premium.
[4] CRNHR is the cost of residual non-hedgeable risk (see Section 12 d) for further details).

Maturity profile of value of business in-force

The value in-force (VIF) maturity profile shows when the VIF profits are expected to emerge as free surplus. It does not include the release of required capital to free surplus which usually accompanies the emergence of the VIF profit. The VIF emergence is after frictional costs, cost of residual non-hedgeable risk and the time value of financial options and guarantees.

Maturity profile of value of business in-force

in USD millions, as of December 31	2012		2011	
	VIF	% of Total	VIF	% of Total
1 to 5 years	3,929	35%	3,049	32%
6 to 10 years	2,891	25%	2,393	25%
11 to 15 years	2,111	19%	1,765	19%
16 to 20 years	1,193	11%	998	11%
more than 20 years	1,236	11%	1,252	13%
Total	**11,359**	**100%**	**9,457**	**100%**

The VIF maturity profile shows that 35 percent of the VIF should emerge as free surplus in the next five years and 60 percent within the next ten years.

The increase in the value of business in-force in the next five years is partly due to the inclusion of Zurich Santander, which has a shorter profit signature. See section 6 for further details.

8. Reconciliation of IFRS shareholders' equity to embedded value

Reconciliation of Global Life IFRS shareholders' equity to embedded value

in USD billions, as of December 31, 2012	Total
IFRS shareholders' net assets	**20.0**
Less intangible assets	
Goodwill	*(0.4)*
DAC/DOC	*(15.2)*
Other intangibles & PVP	*(4.4)*
DFEF	*6.1*
Plus IAS 19 Liabilities[1]	0.9
Less non-controlling interests[2]	0.1
Other adjustments[3]	0.4
Embedded value shareholders' net assets	**7.5**
Value of business in force	11.4
Embedded value[4]	**18.9**

[1] Pension scheme liabilities are included in the IFRS equity and not in the embedded value shareholders' net assets.
[2] Primarily includes the Spanish and Santander non-controlling interests.
[3] Other adjustments include tax differences, policyholder share of intangibles, reserving differences and asset valuation differences.
[4] Embedded value includes Zurich Santander and ZIMB. See section 6 for details.

Embedded value report *continued*

9. Sensitivities

Sensitivities[1]

in USD millions, as of December 31, 2012	Change in embedded value	Change in new business value
Embedded value	**18,861**	**890**
Operating sensitivities		
10% increase in initial expenses	n/a	(5%)
10% decrease in maintenance expenses	3%	9%
10% increase in voluntary discontinuance rates	(4%)	(13%)
10% decrease in voluntary discontinuance rates	5%	16%
5% improvement in mortality and morbidity for assurances	3%	12%
5% improvement in mortality for annuities	(1%)	(1%)
Required capital set equal to minimum solvency capital	–	–
Economic sensitivities		
100 basis points increase in risk free yield curve	(2%)	15%
100 basis points decrease in risk free yield curve	2%	(25%)
10% fall in equity market values	(1%)	n/a
10% fall in property market values	(1%)	n/a
25% increase in implied volatilities for risk free yields	(1%)	(2%)
25% decrease in implied volatilities for risk free yields	1%	3%
25% increase in implied volatilities for equities and properties	(1%)	(3%)
25% decrease in implied volatilities for equities and properties	1%	2%

[1] Base for sensitivities is without liquidity premium. Changes in embedded value and new business value are calculated on the basis of no liquidity premium and end of period assumptions. This reduces the above embedded value by USD 792 million and new business value by USD 91 million.

The key assumption changes represented by each of these sensitivities are given in Section 12 r).

In each sensitivity calculation, all other assumptions remain unchanged except where they are directly affected by the revised conditions. The results include the impact of assumption changes on the time value of financial options and guarantees. The 100 basis points decrease in risk free yield curve increases the value of some products, such as term assurance, with fixed future cash flows discounted at lower rates. This increase is offset by the reduction in the value of other products, such as those with profit sharing, due to the lower assumed investment returns on the investment of net cash flows.

10. Non-core life business

The Group has written life business in Zurich American Life Insurance Company and in its Centre operations, which are not managed by Global Life and are included in non-core life businesses. The main products that have been written by these businesses were:

- variable annuity contracts that provide annuitants with guarantees related to minimum death and income benefits;
- disability business; and
- bank owned life insurance business.

The Group has estimated the embedded value of these businesses based on the same principles as for the Global Life business, including deductions for the time value of financial options and guarantees, frictional costs and the cost of residual non-hedgeable risk, but using more approximate models.

Estimated embedded value of life businesses in Non-Core Businesses

in USD billions, as of December 31	2012	2011
Shareholders' net assets	0.7	0.5
Value of business in-force	0.1	0.2
Embedded value	**0.8**	**0.7**

Embedded value report *continued*

11. Group MCEV

The Group MCEV is presented in the following table as the Global Life covered business which is valued under the MCEV Principles and the non-covered businesses which are valued at the unadjusted IFRS net asset value. Non-covered businesses include the non-core life businesses managed outside Global Life and all other Group businesses including General Insurance and Farmers.

Group MCEV

in USD billions, as of December 31, 2012	Covered business MCEV	Non-covered business	Total Group MCEV
Opening Group MCEV	**15.8**	**17.2**	**33.1**
Operating MCEV earnings[1]	1.7	2.7	4.4
Non-operating MCEV earnings	0.4	0.0	0.4
Total MCEV Earnings	2.1	2.7	4.8
Other movements in IFRS net equity[2]	(0.0)	0.5	0.4
Adjustments[3]	0.9	(3.8)	(2.9)
Closing Group MCEV[4]	**18.9**	**16.5**	**35.4**

[1] For non-covered business this is set equal to the Net Income After Tax (NIAT) over the period.
[2] For non-covered business this is set equal to non-controlling interests and the change in Other Comprehensive Income (OCI) and unrealised gains and losses excluding the foreign currency translation adjustment over the period.
[3] Adjustments refer to opening adjustments, dividend and capital movements and foreign currency translation effects.
[4] As of December 31, 2012 the ZIMB and Zurich Santander businesses are included in the covered business, whereas previously they were included in non-covered business. See section 6 for further details.

12. Embedded value methodology

The Group has applied the Market Consistent Embedded Value (MCEV) Principles and Guidance issued by the European Insurance CFO Forum in October 2009, for its Embedded Value (EV) Report for the companies and businesses in its Global Life segment (the covered business). This report primarily relates to Global Life. Non-core life businesses is given in Section 10 and to the total Group in Section 11. The embedded value methodology adopted by the Group is based on a "bottom-up" market consistent approach to allow explicitly for market risk. In particular, asset and liability cash flows are valued using risk discount rates consistent with those applied to similar cash flows in the capital markets and options and guarantees are valued using market consistent models calibrated to observable market prices. Where markets exhibit a limited capacity, the valuation is based on historical averages.

Embedded value represents the shareholders' interests in the entities included in Global Life as set out in the Group's Consolidated IFRS financial statements. Embedded value excludes any value from future new business.

All amounts shown in USD are rounded with the consequence that the rounded amounts may not add to the rounded total in all instances.

a) Covered business
Covered business includes all business written by companies that are included in the Global Life segment, unless otherwise stated. In particular:

- life and critical illness insurance;
- savings business (with profit, non-profit and unit-linked);
- pensions and annuity business; and
- long-term health and accident insurance.

For certain smaller companies in Global Life, no embedded value has been calculated but these companies have been included in the embedded value at their shareholders' net asset value, as calculated in accordance with the Group's IFRS accounting policies. The contribution from these companies to embedded value is approximately 2 percent.

b) Reporting of embedded value
In line with the MCEV Principles, the embedded value is split between shareholders' net assets, including free surplus and required capital, and the value of business in-force.

The results are disclosed in a format that the Group considers to be appropriate for the market consistent methodology adopted.

c) Shareholders' net assets
Shareholders' net assets represent the market value of net assets held in respect of the covered business, and consists of the required capital and free surplus. The level of required capital reflects the amount of capital considered by the local Directors to be appropriate to manage the business. This would be set at least at the level equal to the regulatory required capital, at which the regulator would intervene to request a capital injection and in addition, for the main companies, an adequate buffer to cover short term volatilities in solvency due to financial and non-financial risks or to achieve the capital required to maintain the desired credit rating.

The free surplus comprises the market value of shareholders' net assets allocated to the covered business in excess of the assets backing the required capital.

In the UK, a dual capital regime exists with the second pillar currently more stringent than the first pillar. The first pillar is a solvency one basis. Under the second pillar basis the value of in-force is counted as an admissable asset with a subsequent risk charge. Under this basis, when the Group writes new business with an in-force value greater than the risk charge, the level of required capital decreases. Similarly, when in-force value emerges into shareholders' net assets, a portion of this release needs to be allocated to required capital to offset the now reduced value of the in-force asset. This required capital impact is a feature of an economic capital mechanism which differs markedly from the current solvency one basis.

Embedded value report *continued*

Shareholders' net assets are based on local statutory and regulatory accounting. Adjustments are made to the embedded value where appropriate, for example in respect of any unrealized gains attributable to shareholders. Any such adjustments are made consistently with the calculation of the value of business in-force.

d) Value of business in-force

The value of business in-force is the present value of future projected profits, distributable after tax to shareholders from the covered business. It is defined as the certainty equivalent value of business in-force less frictional costs, the time value of financial options and guarantees, and the cost of residual non-hedgeable risk. These components are explained below.

Certainty equivalent (CE) value is the value calculated using discount rates consistent with those applied to the underlying cash flows in the capital markets. It includes the intrinsic value but excludes the time value of financial options and guarantees which is allowed for separately, as described below.

Frictional costs (FC) reflect a deduction for the cost of holding shareholder capital. Under the Group's market consistent framework, the FC represents tax in respect of future investment income on total required capital plus investment management costs. In Germany, the policyholders' share of investment income on the capital is also included.

For the purpose of these calculations, required capital is assumed to run off in line with existing business.

The allowance for FC value is included both in the value of business in-force and in the new business value. For new business, FC is applied to the minimum solvency capital required to be held in respect of that business.

No allowance is made for "agency costs" as these are considered to be subjective and depend on the view of each shareholder.

Time value of financial options and guarantees (TVFOG) represents additional costs in excess of the intrinsic value of options and guarantees which are already allowed for in the CE value. These are based on the variability of investment returns which need to be allowed for explicitly under the MCEV Principles. The time value is calculated on a market consistent basis using stochastic modeling techniques, and after making allowance for expected management and policyholder behavior.

For products with significant guarantees, the time value has been calculated on a market consistent basis by deducting the average present value of shareholder cash flows using 1,000 stochastic economic simulations from the CE value (both for the value of business in-force and separately for new business value).

For most products, the average value has been calculated using Monte Carlo simulations. For a small number of products, the TVFOG has been derived using closed form solutions.

Where appropriate, the calculation of the TVFOG makes allowance for:

- dynamic actions that would be taken by management under different economic simulations, for example to implement a life business' investment strategy; and

- dynamic policyholder behavior, for example changes in surrender behavior as interest rates rise or fall, or take-up rates of guaranteed annuity options.

The **cost of residual non-hedgeable risk (CRNHR)** is an explicit deduction for non-hedgeable financial risks (non-hedgeable asset/liability management risks and reinsurance credit risk), and non-financial risks (mortality, persistency, expenses and operational risk). The CE value allows for best estimate shareholder cashflows. The CRNHR is largely an allowance for uncertainty in shareholder cashflows, and for risks which are not already considered in the CE value or the TVFOG, such as operational risk. Most residual non-hedgeable risks have a symmetric impact on embedded value apart from operational risk.

CRNHR is calculated as a charge on the capital held for residual non-hedgeable risks. This is calculated according to Zurich's internal risk based capital model by applying 2000 shocks to the embedded value assumptions. To align with the MCEV Principles the risk based capital is scaled to a 99.5 percent confidence level by using empirical distributions where available, or by assuming probability distributions as appropriate.

The capital is projected over the lifetime of the business using appropriate risk drivers for each risk type. The present value of the risk capital is calculated by applying the swap curve as of the valuation date. The CRNHR allows for diversification across risk types and across geographical segments. This approach complies with all areas of the MCEV Principles except Guidance 9.7 which does not allow for diversification benefits between covered and non-covered business. The embedded value report does allow for diversification between covered and non-covered business, which is consistent with the management view of the business and adds an estimated USD 508 million to embedded value.

A 4 percent cost of capital charge has been applied to the diversified present value of non-hedgeable risk based capital.

e) New business

New business covers new contracts sold during the reporting period and includes recurring single premiums, new premiums written during the period on existing contracts and variations to premiums on existing contracts where these premiums and variations have not previously been assumed to be part of business in-force. Where recurring single premiums are projected over time to derive the corresponding new business value, they are treated as annual premium for the volume definition. Group Life business which is valued with a renewal assumption of the contracts is treated as annual premium.

The new business is valued at the point of sale. Explicit allowance is made for frictional costs, time value of financial options and guarantees, and CRNHR. New business value is valued using actual new business volumes, except in Germany. See Section 12 f) for details.

The value generated by new business written during the period is the present value of the projected stream of after tax distributable profits from that business.

In certain profit sharing funds, the new business written can affect the TVFOG for business written in prior years. This effect is taken into account in the new business value by valuing on a marginal approach, the difference between embedded value with and without new business. This captures the effect of cross-subsidies between in-force and new business due to, for example, different interest rate guarantees operating in a shared common pool of assets.

Quarterly new business is valued on a discrete basis. New business value is calculated separately for each quarter using assumptions, both operating and economic, as of the start of the relevant quarter. Once calculated, the new business value will not change in local currency terms.

Embedded value report *continued*

f) Asset and liability data

The majority of the Group's embedded value has been calculated using a "hard close" approach. This means that all asset and liability data reflect the actual position as of the valuation date.

Germany has followed an approach where liability model points were set up in advance, using the structure of a previous run, and then projected to valuation date values by scaling to match the expected balance sheet figures. The new business model points are determined quarterly. For each quarter new business model points are scaled to the expected APE in the quarter.

g) Market consistent discounting

The Group has adopted a "bottom-up" market consistent approach for the projection and discounting of future cash flows in the calculation of the embedded value. As a result, the risks inherent in the cash flows are allowed for in a way that is consistent with the way the market is expected to allow for such risks.

In principle, this method values each cash flow using a discount rate consistent with that applied to such a cash flow in the capital markets. For example, an equity cash flow is valued using an equity risk discount rate, and a debt security cash flow is valued using a debt security discount rate. If a higher return is assumed for equities, the equity cash flow is discounted at this higher rate.

In practice, the Group has applied a computational method known as a "risk neutral" approach. This involves projecting the assets and liabilities using a distribution of asset returns where all asset types, on average, earn the same risk free rate.

The risk free yield curve assumptions are based on the swap curve in each major currency (U.S. dollars, euro, British pounds and Swiss francs). For liabilities where payouts are either independent or move linearly with markets, deterministic techniques (referred to as "certainty equivalent") have been used. In such cases, the projection and discounting are based on the same risk free yield curve. Further details are set out under "Economic assumptions" in Section 13.

h) Economic scenario generator

All operations use actual yield curves observable as of the valuation date for the calculation of the certainty equivalent value of business in-force.

The calculations of the TVFOG is based on stochastic simulations using an economic scenario generator provided by Barrie & Hibbert. The outputs ("simulations") have been calibrated to conform to the economic parameters specified by the Group.

The simulations used for calculation of TVFOG reflect the actual yield curves and implied volatilities observable as at the valuation date.

Simulations are produced for the economies in the U.S., the UK, Switzerland and the eurozone. In each economic area, risk free nominal interest rates are modeled using a LIBOR market model. The excess return on other asset classes relative to the total returns on risk free assets are then modeled using a multi-factor lognormal model. Hong Kong uses U.S. dollar simulations as their principal liabilities are U.S. dollar-denominated. Chile uses closed form solutions rather than simulations. The other operations not mentioned above have no significant options and guarantees. Further details are set out under "Economic assumptions" in Section 13.

i) Corporate Center costs

Headquarters' costs are recharged to covered business in the relevant countries based on contractual framework and included in the projected expenses. Costs not recharged are small and have been excluded from the projected assumptions.

j) Holding companies

Holding companies allocated to Global Life have been consolidated in the embedded value at their local statutory net asset value. Related expenses are small and so have been excluded from the projection assumptions. Holding companies outside Global Life are not included in the embedded value of the covered business.

k) Consolidation adjustments
Where a reinsurance arrangement exists between two life companies within Global Life, the value of the reinsurance is shown in the embedded value of the ceding company.

Embedded value is shown net of non-controlling interests. Where the Group has a controlling interest in a subsidiary company, the new business value and the premium information are shown gross of non-controlling interests. The non-controlled share of new business value is eliminated through "Non-controlling interests".

l) Debt
Where a loan exists between a company in Global Life and a Group company outside Global Life, the loan is valued for embedded value purposes at the same value as that included outside Global Life under IFRS.

m) "Look through" principle – service companies
There are some companies within Global Life that provide administration and distribution services. These are valued on a "look through" basis. The results do not include any Group service companies outside Global Life.

In the UK, a multi-tie distribution company (Openwork) is included in the embedded value on a "look through" basis. After allowance for certain one-off expenses, profits and losses are attributed to new business value. Certain future revenue streams, mainly renewal commissions on business sold, are discounted and contribute to the new business value and to the value of business in-force.

In Germany, the majority of distribution and administration is provided by service companies. These are valued on a "look through" basis. These companies also provide limited services to companies outside Global Life. The value of business in-force and new business value reflect the services provided to companies within Global Life. Net asset value consists, however, of the full statutory equity of these service companies.

In Switzerland, an investment management company provides asset management services to pension schemes written in foundations and other pension funds. The present value of the net asset management fees, after tax, is included in the embedded value and the new business value.

n) Employee pension schemes
Actuarial gains and losses arising from defined benefit pension and other defined benefit post-retirement plans are recognized in full in the period in which they occur and are presented on a separate line in the statement of comprehensive income in the Group's consolidated financial statements, with a liability recognized for employee benefit deficits under IAS 19. This adjustment has not been made in the detailed embedded value described in this embedded value report. If the adjustment had been made the embedded value at the valuation date would have been lower by USD 892 million. The actuarial and economic assumptions used for this adjustment are consistent with those used for the equivalent allowance made in the Group's Consolidated financial statements.

As previously reported, expense assumptions for each life business include expected pension scheme costs in respect of future service entitlements.

o) Employee share options
The costs of share options granted to employees are not included in the embedded value, other than to the extent that they are allowed for in the local statutory accounts upon which the shareholders' net assets are based. Further information on the costs of share options is given in the Group's consolidated financial statements.

p) Change in legislation or solvency regime
The impacts of changes in legislation or solvency regimes are included in economic variance for the analysis of movement when they occur.

q) Translation to Group presentation currency
To align embedded value reporting with the Group's consolidated IFRS financial statements, relevant results have been translated to the Group presentation currency, U.S. dollar, using average exchange rates for the period. This applies to new business value and new business volumes (APE and PVNBP) for the current period and comparative figures. This approach has also been applied to the analysis of movement. Valuations as at a specified date are translated at end-of-period exchange rates.

The rates can be found in note 1 of the audited Consolidated financial statements as of December 31, 2012.

Embedded value report *continued*

r) Sensitivities
The key assumption changes represented by each of the sensitivities in Section 9 are as follows:

Operating sensitivities

A 10 percent increase in initial expenses was considered for new business values only.

A 10 percent decrease in maintenance expenses means that, for example, a base assumption of USD 30 per annum would decrease to USD 27 per annum.

A 10 percent decrease in voluntary discontinuance rates means that, for example, a base assumption of 5 percent per annum would decrease to 4.5 percent per annum.

A 5 percent improvement in mortality and morbidity assumptions for assurances means that, for example, if the actuarial mortality assumption for assurances was 90 percent of a particular table, this would decrease to 85.5 percent.

A 5 percent improvement in mortality assumptions for annuities means that, for example, if the actuarial mortality assumption for annuities was 90 percent of a particular table, this would decrease to 85.5 percent.

Required Capital set to Minimum Solvency Capital means that frictional costs are applied to minimum solvency capital only and frictional costs on excess solvency capital are released.

Economic sensitivities

A 100 basis points increase and decrease was applied to the risk free yield curve across all durations.

A 10 percent fall in equity and property market values was assessed for embedded value only.

A 25 percent increase in implied risk free volatilities means that, for example, a volatility of 20 percent per annum would increase to 25 percent per annum.

A 25 percent increase in implied equity and property volatilities means that, for example, a volatility of 20 percent per annum would increase to 25 percent per annum.

In each sensitivity calculation, all other assumptions remain unchanged except where they are directly affected by the revised conditions. The results include any impact of the assumption changes on the time value of financial options and guarantees.

13. Embedded value assumptions

Projections of future shareholder cash flows expected to emerge from covered business and for new business are determined using best estimate operating assumptions. These assumptions, including mortality, morbidity, persistency and expenses, reflect recent experience and are actively reviewed. Allowance is made for future improvements in annuitant mortality based on experience and externally published data. Favorable changes in operating efficiency are not anticipated in the assumptions – in particular for expenses and persistency.

Future economic assumptions, for example, investment returns and inflation, are based on period end conditions and assumed risk discount rates are consistent with these. For new business, the future economic (and operating) assumptions are based on conditions at the start of the relevant quarter.

a) Economic assumptions

Market consistent framework

The Group has adopted a computational method known as "risk neutral." With this method the key economic assumptions are:

- risk free rates;
- implied volatilities of different assets; and,
- correlations between different asset returns.

Expected asset returns in excess of the risk free rate have no bearing on the calculated embedded value other than in the expected return used for the analysis of embedded value earnings. The expected return for equities comprises an equity risk premium added to the start of period one year swap rate. The expected return on corporate bonds is equal to the start of period one year swap rate plus a risk premium estimated by comparing the market yield on corporate bonds with the swap rates for equivalent durations. In addition, a reduction must be made to the yield to allow for the expected level of defaults.

Choice of "risk free yield curve"

The risk free yield curve is derived from mid-market swap rates applicable to each economy at the valuation date. These curves were used to extract forward reinvestment yields that are used for all asset classes. The yield curves are consistent with the assumptions used by investment banks to derive their option prices and their use ensures consistency with the derivation of implied volatilities. They also have the advantage of being available for most of the markets in which the Group operates. Domestic yield curves are used by businesses in other countries, except Hong Kong and Argentina which use the U.S. dollar, as their liabilities are principally U.S. dollar-dominated.

Implied asset volatility and correlations

The Group's embedded value model is based on market consistent assumptions. Interest volatility is derived from the implied volatility of interest rate swaptions. Swaption implied volatilities vary both by the term of the option and also the term of the underlying swap contract, a fact that is reflected in the economic scenarios. The equity volatilities are based on at-the-money forward European options on capital indices, consistent with traded options in the market. Volatility of property investments is derived from relevant historical return data for each modeled economy. Assumptions for long-term equity volatility and long-term correlations between equity, property and bond indices are prepared with reference to historical analysis.

Inflation

Inflation assumptions have been derived from the yields on index linked government bonds relative to the corresponding nominal government yield curve, where such index linked government bonds exist. Where appropriate, allowance has been made for expense inflation to exceed the assumed level of price inflation reflecting the contribution of salary related expenses to life company expenses. In Switzerland, reference has been made to FINMA's published rate.

Risk discount rate

Under the "risk neutral" approach, risk discount rates are based on the same risk free yield curves as those used to project the investment return.

Embedded value report *continued*

For stochastic modeling, the risk discount rates are simulation specific and also vary by calendar year consistently with the projected risk free yields in each simulation.

Liquidity premiums

The CFO Forum engaged Barrie & Hibbert who estimated a liquidity premium proxy to be equal to 50 percent times the (credit spread over swaps less 40 basis points) where credit spreads over swaps are equal to the credit spread on a representative corporate bond index less the swap rate for each particular currency.

The Group applies liquidity premium in the operating currencies of U.S. dollar, euro, British pound and Swiss franc in its embedded value.

The liquidity premium is applied to the following lines of business:

- 100 percent for annuities;
- 75 percent for contracts with participating features, universal life contracts and fixed interest annuities in the U.S.;
- 0 percent for all other lines of business.

All sensitivities in the report relate to the base yield curve with no liquidity premium.

"Expected return" for the analysis of embedded value earnings – investment return assumptions

The expected return for the analysis of embedded value earnings is based on a projection from the start of period to end of period. This requires assumptions regarding the investment returns expected to be achieved over the period on different asset classes. The investment return assumptions (for this purpose only) are based on the "real world" returns expected by the Group. The use of real world investment assumptions gives a more realistic basis for the expected return calculation and allows for the risk underlying each asset. Any under or over performance will be reported through economic variance.

For fixed interest assets, the "real world" investment return assumptions are based on the gross redemption yield on the assets, less an allowance for defaults where appropriate, together with an adjustment to reflect the change over the period implied in the yield curve assumptions.

For equity assets for units where there is a substantial equity allocation, the investment return assumption is based on the long term "real world" expected return. For equity assets for units without a material equity allocation the investment return assumption is based on the one year swap rate at the start of period plus a margin to reflect the additional risk associated with investment in this asset class.

For property assets, the investment return assumptions are based on the one year swap rate at the beginning of period plus a margin to reflect the additional risk associated with investment in this asset class.

These assumptions have been set by asset class and separately for each sub-fund in each life business in order to best reflect the actual assets held.

"Return on opening embedded value" (as shown in the Embedded value key results)

The return on opening embedded value is calculated as the sum of the annualized new business value, annualized expected contributions, economic variances for the year to date and operating and non-operating variances for the year to date divided by the opening embedded value less the start of period dividend and capital movements.

Participating business

Rates of future bonus or crediting rates have been set at levels consistent with the risk neutral investment return assumptions and current bonus plans. In the UK, bonus rates have been set so as to exhaust any remaining assets in the relevant long-term funds. In certain scenarios shareholder injections may be required to meet existing guaranteed benefits and this additional cost is included in the TVFOG.

In other European life businesses and in the U.S., bonuses have been set to be consistent with the investment return assumptions and with the book value approach used by these life businesses in practice. Existing practice, contractual and regulatory requirements as well as the reasonable expectations of policyholders are considered in setting bonuses.

Taxation
Current tax legislation and rates have been assumed to continue unaltered, except where changes in future tax rates or practices have been announced.

b) Operating assumptions

Demographic assumptions
The assumed future mortality, morbidity and lapse rates have been derived from recent operating experience and relevant industry statistics. Where operating experience or industry statistics are limited, the assumptions are derived from a best estimate of future developments and are subject to regular review as more experience emerges. Where appropriate, surrender and option take-up rate assumptions that vary according to the investment simulation under consideration have been used, based on an assessment of likely policyholder behavior.

The term over which group protection business policies are valued has been changed from the term up to the date of the first renewal option under the contract to a term equal to the period over which the policy is expected to be retained, i.e. the expected life time value of the policy. The life time value is only included for those businesses where reliable data exists so that renewal rates can be reasonably assessed and/or where renewals are not based on regular re-negotiations. Over years 2011 and 2012, and for smaller blocks of business beyond 2012, the life time value is included in new business when the policies renew such that this period will show an elevated level of new business value for this time period. After the in-force book has fully renewed the new business value will only be based on new policies and extraordinary premium increases or contract expansions.

Expense assumptions
Management expenses have been analyzed between expenses related to acquisition of new business, the maintenance of in-force business and, where appropriate, one-off project costs. Future expense assumptions allow for expected levels of maintenance expenses. In addition, Headquarters' expenses relating to covered business have been allocated to business units and are reflected in assumed future expenses.

The maintenance expense assumptions allow for the expected cost of providing future service benefits in respect of the Group staff pension schemes. An adjustment to the embedded value is noted in Section 12 n) for pension scheme liabilities under IAS 19 and no allowance is made in the expense assumptions for any contributions as a result of past service benefits.

No allowance has been made for future productivity improvements in the expense assumptions.

Where service companies have been valued on a look through basis, the value of profits or losses arising from these services have been included in the embedded value and new business value.

In countries where significant development work is performed these are shown under "Development Expenses".

Embedded value report *continued*

c) Dynamic decisions

To reflect more realistically the outcome of stochastic simulations, the assumptions for each simulation make allowance for the behaviors of policyholders and management actions in response to the investment conditions modeled.

In many life businesses, policyholders can exercise an option against the life company in certain circumstances, such as to surrender a policy. This leads to an increase in the assumed lapse rates when interest rates rise (or a corresponding reduction when interest rates fall). This dynamic effect in relation to lapse rates has been allowed for in the stochastic models.

The stochastic models allow, where appropriate, for management actions to change investment strategy in response to market conditions.

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Appendix

Embedded value results Global Life, by region

in USD millions, for the years ended December 31	North America	
	2012	2011
Embedded value information:		
Opening embedded value	**2,780**	2,818
Dividends and capital movements start of period	(109)	(35)
New business value Global Life	109	60
Expected contribution	171	125
Operating experience variances	(24)	(18)
Operating assumption changes	(113)	86
Other operating variances	(221)	(28)
Operating earnings	**(79)**	226
Economic variances	99	(26)
Other non-operating variances	30	(4)
Embedded value earnings	**50**	196
Dividends and capital movements end of period	(127)	(198)
Non-controlling interests	–	–
Foreign currency translation effects	–	–
Closing embedded value	**2,594**	2,780
New business information:		
Annual premiums	110	90
Single premiums	154	211
Annual premium equivalent (APE)	125	111
Present value of new business premiums (PVNBP)	1,227	1,024
New business value	**109**	60
New business margin (% of APE)	87.1%	54.3%
New business margin (% of PVNBP)	8.9%	5.9%
Returns		
Expected return	6.4%	4.5%
Operating return	(3.0%)	8.1%
Embedded value return	1.9%	7.0%

Latin America		Europe		Asia-Pacific and Middle East		Other		Global Life	
2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
683	631	**9,701**	10,334	**2,465**	2,548	**217**	142	**15,846**	16,472
(5)	(14)	(365)	(464)	(11)	(7)	(45)	(5)	(534)	(525)
99	71	453	547	125	136	103	167	890	980
31	34	658	482	93	98	2	–	954	740
(20)	(21)	(124)	23	(50)	(34)	(2)	(14)	(220)	(63)
(14)	15	(102)	(32)	(4)	(202)	6	(18)	(226)	(151)
(22)	11	593	(67)	(16)	(23)	8	(35)	342	(143)
75	108	**1,477**	953	**148**	(25)	**117**	100	**1,739**	1,363
(11)	28	224	(1,289)	86	(31)	7	(3)	405	(1,322)
(2)	(5)	37	173	(62)	–	3	(5)	6	160
62	131	**1,738**	(163)	**172**	(56)	**127**	92	**2,150**	200
869	1	(59)	174	371	(33)	6	2	1,059	(55)
(2)	(1)	(44)	(53)	–	–	–	–	(46)	(54)
7	(66)	326	(126)	46	12	7	(14)	387	(194)
1,615	683	**11,298**	9,701	**3,043**	2,465	**312**	217	**18,861**	15,846
704	262	1,374	1,475	403	446	86	107	2,677	2,379
517	506	11,642	14,082	608	784	605	541	13,527	16,125
755	313	2,538	2,883	464	524	147	161	4,030	3,992
2,458	1,320	26,998	26,784	3,058	2,943	1,554	1,328	35,296	33,399
99	71	**453**	547	**125**	136	**103**	167	**890**	980
13.2%	22.6%	17.9%	19.0%	26.9%	25.9%	70.1%	103.7%	22.1%	24.5%
4.0%	5.3%	1.7%	2.0%	4.1%	4.6%	6.6%	12.5%	2.5%	2.9%
4.5%	5.4%	7.0%	4.9%	3.8%	3.9%	1.0%	0.4%	6.2%	4.6%
11.1%	17.6%	15.8%	9.7%	6.0%	(1.0%)	68.2%	73.2%	11.4%	8.5%
9.2%	21.3%	18.6%	(1.7%)	7.0%	(2.2%)	74.2%	67.2%	14.0%	1.3%

Appendix *continued*

Embedded value results Europe

in USD millions, for the years ended December 31

	United Kingdom		Germany	
	2012	2011	**2012**	2011
Embedded value information:				
Opening embedded value	**3,692**	3,633	**2,058**	2,047
Dividends and capital movements start of period	6	(344)	(1)	31
New business value Global Life	195	154	37	171
Expected contribution	176	116	236	103
Operating experience variances	(52)	87	2	(2)
Operating assumption changes	(29)	(74)	(28)	43
Other operating variances	197	(1)	286	151
Operating earnings	**488**	282	**533**	466
Economic variances	(269)	(105)	(14)	(306)
Other non-operating variances	17	189	1	–
Embedded value earnings	**236**	365	**521**	160
Dividends and capital movements end of period	13	54	(34)	(105)
Non-controlling interests	–	–	(1)	(5)
Foreign currency translation effects	183	(17)	47	(70)
Closing embedded value	**4,130**	3,692	**2,589**	2,058
New business information:				
Annual premiums	583	554	382	493
Single premiums	6,117	6,814	707	950
Annual premium equivalent (APE)	1,194	1,235	453	588
Present value of new business premiums (PVNBP)	14,112	11,830	4,503	5,530
New business value	**195**	154	**37**	171
New business margin (% of APE)	16.4%	12.5%	8.2%	29.1%
New business margin (% of PVNBP)	1.4%	1.3%	0.8%	3.1%
Returns				
Expected return	4.8%	3.5%	11.5%	5.0%
Operating return	13.2%	8.6%	25.9%	22.4%
Embedded value return	6.4%	11.1%	25.3%	7.7%

	Europe									
	Switzerland		Ireland		Spain		Rest of Europe		Europe total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	2,126	2,323	**1,156**	1,256	**164**	279	**506**	794	**9,701**	10,334
	(355)	(162)	13	–	(19)	–	(8)	11	(365)	(464)
	25	9	66	67	94	107	36	38	453	547
	166	143	22	25	17	36	40	58	658	482
	(5)	(4)	(51)	(58)	(18)	(1)	–	1	(124)	23
	(13)	19	(49)	(7)	2	(31)	14	17	(102)	(32)
	79	(71)	(26)	(77)	126	4	(70)	(73)	593	(67)
	253	96	**(38)**	(49)	**222**	117	**19**	42	**1,477**	953
	192	(128)	52	(43)	(18)	(193)	280	(514)	224	(1,289)
	24	(6)	–	–	(1)	31	(5)	(41)	37	173
	470	(38)	**14**	(93)	**203**	(45)	**294**	(513)	**1,738**	(163)
	(10)	–	–	28	(29)	(23)	–	219	(59)	174
	–	–	–	–	(43)	(47)	–	–	(44)	(53)
	55	3	20	(35)	6	(1)	16	(6)	326	(126)
	2,286	2,126	**1,204**	1,156	**281**	164	**808**	506	**11,298**	9,701
	107	88	116	125	69	93	116	122	1,374	1,475
	1,127	630	2,388	2,054	803	2,733	501	901	11,642	14,082
	220	151	355	331	149	367	167	212	2,538	2,883
	2,544	1,593	3,033	2,720	1,335	3,328	1,471	1,782	26,998	26,784
	25	9	**66**	67	**94**	107	**36**	38	**453**	547
	11.5%	6.0%	18.5%	20.2%	62.9%	29.2%	21.5%	18.0%	17.9%	19.0%
	1.0%	0.6%	2.2%	2.5%	7.0%	3.2%	2.4%	2.1%	1.7%	2.0%
	9.4%	6.6%	1.9%	2.0%	11.9%	13.0%	8.0%	7.3%	7.0%	4.9%
	14.3%	4.4%	(3.2%)	(3.9%)	153.6%	41.7%	3.8%	5.2%	15.8%	9.7%
	26.5%	(1.8%)	1.2%	(7.4%)	140.6%	(16.0%)	59.2%	(63.7%)	18.6%	(1.7%)

Statement by Directors

Statement by Directors

This embedded value report has been prepared in all material respects in accordance with the Market Consistent Embedded Value Principles and Guidance issued by the European Insurance CFO Forum in October 2009.

The methodology and assumptions underlying the report are described in Sections 12 and 13.

Auditor's report on embedded value

To the Board of Directors of Zurich Insurance Group Ltd

We have audited the Embedded Value Report ("EV Report") of Zurich Insurance Group Ltd included on pages 289 to 324 of the Annual Report 2012, for the year ended December 31, 2012. The embedded value information included in the EV Report has been prepared in accordance with the Market Consistent Embedded Value ("MCEV") Principles and Guidance issued by the European Insurance CFO Forum, as described on pages 309 to 314.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the EV Report in accordance with the MCEV Principles and Guidance, including the applied methodology and the assumptions used and for such internal controls as determined necessary to enable the preparation of the EV Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on whether the EV Report has been properly prepared in accordance with the MCEV Principles and Guidance. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the EV Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the EV Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the EV Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the EV Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the principles used and the reasonableness of significant estimates made, as well as evaluating the adequacy of the overall presentation of the EV Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the EV Report of Zurich Insurance Group Ltd for the year ended December 31, 2012 is prepared, in all material respects, in accordance with the MCEV Principles and Guidance.

Basis of preparation

Without modifying our opinion, we draw attention to sections 12 and 13 of the EV Report, which describe the basis of the EV methodology and assumptions. The EV Report is prepared to assist Zurich Insurance Group Ltd to comply with the MCEV Principles and Guidance referred to above. As a result, the EV Report may not be suitable for another purpose. This report does not extend to any financial statements of Zurich Insurance Group Ltd.

PricewaterhouseCoopers Ltd

Richard Burger Audit expert	Stephen O'Hearn Global relationship partner

Zurich, February 13, 2013

Holding company

Principal activity and review of the year

Zurich Insurance Group Ltd was incorporated on April 26, 2000, and is the holding company for the Zurich Insurance Group with a principal activity of holding subsidiary companies. The company is listed on the SIX Swiss Exchange.

Net income after taxes for the year was CHF 2,382 million compared with CHF 961 million in 2011. The increase was mainly driven by higher dividend income from its subsidiary Zurich Insurance Company Ltd which paid an ordinary dividend of CHF 2,400 million in 2012, compared with an extra-ordinary dividend payment of CHF 1,500 million in 2011, and by lower other financial expenses in 2012 as compared with 2011. In 2012, other financial expenses of CHF 191 million included impairments on investments in subsidiaries of CHF 75 million, compared with CHF 800 million other financial expenses for 2011, primarily driven by impairments related to the redemption of the three remaining series of Trust Capital Securities issued through the Zurich RegCaPS Funding Trusts of CHF 435 million and impairments on investments in subisidaries of CHF 256 million.

The Annual General Meeting on March 29, 2012, approved a gross dividend of CHF 17.00 per share to be paid free of Swiss withholding tax to the shareholders out of the capital contribution reserve.

Shareholders' equity increased by CHF 89 million to CHF 16,699 million as of December 31, 2012, from CHF 16,610 million as of December 31, 2011, as a result of the net income after taxes for the year and capital contributed through the issuance of new shares to employees out of the contingent capital, which was partially offset by the dividend paid in 2012. The Board will propose a dividend from the capital contribution reserve of CHF 17.00 per share in respect of the year 2012 for approval at the Annual General Meeting to be held on April 4, 2013.

Income statements

in CHF thousands, for the years ended December 31	Notes	2012	2011
Revenues			
Interest income	3	100,581	241,003
Dividend income		2,400,000	1,521,569
Other financial income	4	79,495	100,735
Other income	5	18,690	110
Total revenues		2,598,766	1,863,417
Expenses			
Administrative expense	6	(19,365)	(94,927)
Other financial expense	7	(190,330)	(800,204)
Tax expense	8	(6,934)	(7,600)
Total expenses		(216,629)	(902,731)
Net income after taxes		**2,382,137**	**960,686**

Holding company *continued*

Balance sheets

Assets

in CHF thousands, as of December 31	Notes	2012	2011
Non-current assets			
Investments in subsidiaries	9	11,779,569	11,854,569
Subordinated loans to subsidiaries	10	4,877,074	4,876,097
Total non-current assets		16,656,643	16,730,666
Current assets			
Cash and cash equivalents		12,786	13,432
Loans to subsidiaries		646,367	491,300
Receivables from third parties		808	856
Accrued income from third parties		14	14
Accrued income from subsidiaries		306	207,579
Derivatives with subsidiaries		–	4,084
Total current assets		660,281	717,265
Total assets		**17,316,924**	**17,447,931**

Liabilities and shareholders' equity

Short-term liabilities			
Loans from subsidiaries		–	202,794
Other liabilities to subsidiaries		668	–
Other liabilities to third parties		865	1,511
Other liabilities to shareholders		607	377
Accrued liabilities to subsidiaries		14,227	14,578
Accrued liabilities to third parties		63,622	49,713
Derivatives with subsidiaries		3,065	3,315
Total short-term liabilities		83,054	272,288
Long-term liabilities			
Long-term loans from subsidiaries		479,029	490,834
Provisions		56,067	75,008
Total long-term liabilities		535,096	565,842
Total liabilities		618,150	838,130
Shareholders' equity (before appropriation of available earnings)			
Share capital	12	14,830	14,739
Legal reserves:		11,029,552	13,322,807
Capital contribution reserve	*13*	*10,688,412*	*12,981,667*
General capital contribution reserve		*10,359,588*	*12,646,757*
Reserve for treasury shares	*14*	*328,824*	*334,910*
General legal reserve		*341,140*	*341,140*
Free reserve:			
As of January 1		*332,986*	*332,986*
Transfer from capital contribution reserve		*2,494,314*	*2,479,883*
Dividends paid		*(2,494,314)*[1]	*(2,479,883)*[2]
Free reserve, as of December 31		332,986	332,986
Retained earnings:			
As of January 1		*2,939,269*	*3,254,285*
Transfer to capital contribution reserve		–	*(1,275,702)*
Adjusted for appropriations		*2,939,269*	*1,978,583*
Net income after taxes		2,382,137	960,686
Retained earnings, as of December 31		5,321,406	2,939,269
Total shareholders' equity (before appropriation of available earnings)		16,698,774	16,609,801
Total liabilities and shareholders' equity		**17,316,924**	**17,447,931**

[1] Dividends paid in the year, proposed in respect of the 2011 result
[2] Dividends paid in the year, proposed in respect of the 2010 result

Notes to the financial statements

1. Basis of Presentation

Zurich Insurance Group Ltd (the Company) presents its financial statements in accordance with Swiss law.

Unless otherwise stated all amounts in these financial statements including the notes are shown in Swiss franc thousands, rounded to the nearest thousand.

2. Summary of significant accounting policies

a) Exchange rates

Unless otherwise stated, assets and liabilities expressed in currencies other than Swiss francs are translated at year end exchange rates. Revenues and expenses are translated using the exchange rate at the date of the transaction. Unrealized exchange losses are recorded in the income statements and unrealized exchange gains are deferred until realized.

b) Investments in subsidiaries

Investments in subsidiaries are equity interests, held on a long-term basis for the purpose of the holding company's business activities. They are carried at cost less adjustments for impairment.

c) Accrued income

Income is accrued for interest which is earned but not yet due for payment at the end of the reporting period.

d) Derivatives

Derivatives are carried at market value with changes in the market value recorded in the income statements.

3. Interest income

Interest income is earned mainly on the Company's subordinated loan of CHF 4,832 million with its subsidiary Zurich Insurance Company Ltd. The decrease of CHF 140 million compared to 2011 is the result of lower interest earned for 2012 on this loan.

4. Other financial income

Other financial income includes primarily foreign exchange gains and net gains on derivatives with subsidiaries.

5. Other income

Other income for 2012 represents the partial release of CHF 18.7 million of the irrevocable commitment made by the Company on behalf of the Zurich Insurance Group to the Z Zurich Foundation in 2011, as an other Group company made the 2012 payment.

6. Administrative expense

Administrative expense includes directors' fees of CHF 4.1 million for both years ended December 31, 2012 and 2011 and overhead expenses of CHF 10.0 million for for both years ended December 31, 2012 and 2011. In addition, administrative expense for 2011 includes CHF 75.3 million in respect of an irrevocable commitment made by the Company on behalf of the Zurich Insurance Group to the Z Zurich Foundation to fund its charitable activities.

7. Other financial expense

Other financial expense includes impairments on investments in subsidiaries of CHF 75 million in 2012 and CHF 256 million in 2011. Additionally, 2011 expense includes a loss of CHF 435 million related to the redemption of the three remaining series of Trust Capital Securities issued through the Zurich RegCaPS Funding Trusts. After the redemption, the trusts that issued these securities and the related limited partnerships and limited liability companies were liquidated.

8. Tax expense

The tax expense consists of income, capital and other taxes.

Holding company *continued*

9. Investments in subsidiaries

Investment in subsidiaries

as of December 31	2012		2011	
	Carrying value[1]	**Voting rights in %**	Carrying value[1]	Voting rights in %
Zurich Insurance Company Ltd	11,088,466	100.00	11,088,466	100.00
Zurich Financial Services EUB Holdings Ltd	532,936	99.90	607,936	99.90
Farmers Group, Inc.	157,992	12.10	157,992	12.10
Allied Zurich Limited	175	100.00	175	100.00
Total	**11,779,569**		**11,854,569**	

[1] in CHF thousands

The investment in Zurich Financial Services EUB Holdings Limited was impaired by CHF 75 million in 2012 compared with CHF 256 million in the previous year.

10. Subordinated loans to subsidiaries

Subordinated loans have remained unchaged in local currency compared with 2011, and mainly include loans to Zurich Insurance Company Ltd of CHF 4,832 million as of December 31, 2012 and 2011.

11. Commitments and contingencies

Zurich Insurance Group Ltd has provided unlimited guarantees in support of various entities belonging to the Zurich Capital Markets group of companies. The Company has also entered into various support agreements and guarantees for the benefit of certain of its subsidiaries and their directors. These contingencies and commitments amounted to CHF 11,587 million as of December 31, 2012, and CHF 11,894 million as of December 31, 2011. CHF 8,331 million out of the total CHF 11,587 million relate to guarantees in the aggregate of GBP 5,595 million provided to a fully owned subsidiary and certain of its directors in connection with the rationalization of the Group's top legal holding structure which resulted in the merger of Zurich Group Holding into Zurich Insurance Group Ltd (formerly known as Zurich Financial Services Ltd) in December 2009. These guarantees will expire in August 2015. Furthermore, the Zurich Insurance Group Ltd has issued an unlimited guarantee in favor of the Institute of London Underwriters in relation to business transferred to Zurich Insurance plc from a group company which no longer has insurance licenses.

Zurich Insurance Group Ltd knows of no event that would require it to satisfy any of these guarantees or to take action under a support agreement.

12. Shareholders' equity

a) Issued share capital

In 2012, there was no change to the ordinary share capital. At the Annual General Meeting on March 29, 2012, the shareholders approved an extension of authorized share capital with the number of shares remaining unchanged at 10,000,000 fully paid registered shares with a nominal value of CHF 0.10 each until March 29, 2014. In 2011, there were no changes to the ordinary share capital or to the authorized share capital.

During the years 2012 and 2011, a total of 914,301 shares and 798,926 shares, respectively, were issued to employees out of the contingent capital.

b) Authorized share capital

Until March 29, 2014, the Board of Directors of Zurich Insurance Group Ltd is authorized to increase the share capital by an amount not exceeding CHF 1,000,000 by issuing up to 10,000,000 fully paid registered shares with a nominal value of CHF 0.10 each. An increase in partial amounts is permitted. The Board of Directors determines the date of issue of such new shares, the issue price, type of payment, conditions for exercising pre-emptive rights, and the beginning of dividend entitlement.

The Board of Directors may issue such new shares by means of a firm underwriting by a banking institution or syndicate with a subsequent offer of those shares to current shareholders. The Board of Directors may allow the expiry of pre-emptive rights which have not been exercised, or it may place these rights as well as shares, the pre-emptive rights of which have not been exercised, at market conditions.

The Board of Directors is further authorized to restrict or withdraw the pre-emptive rights of shareholders and to allocate them to third parties if the shares are to be used for the take-over of an enterprise, or parts of an enterprise or of participations or if issuing shares for the financing including re-financing of such transactions, or for the purpose of expanding the scope of shareholders in connection with the quotation of shares on foreign stock exchanges.

c) Contingent share capital

Capital market instruments and option rights to shareholders

The share capital of Zurich Insurance Group Ltd may be increased by an amount not exceeding CHF 1,000,000 by the issuance of up to 10,000,000 fully paid registered shares with a nominal value of CHF 0.10 each (i) by exercising of conversion and/or option rights which are granted in connection with the issuance of bonds or similar debt instruments by Zurich Insurance Group Ltd or one of its Group companies in national or international capital markets; and/or (ii) by exercising option rights which are granted to current shareholders. When issuing bonds or similar debt instruments connected with conversion and/or option rights, the pre-emptive rights of the shareholders will be excluded. The current owners of conversion and/or option rights shall be entitled to subscribe for the new shares. The conversion and/or option conditions are to be determined by the Board of Directors.

The Board of Directors is authorized, when issuing bonds or similar debt instruments connected with conversion and/or option rights, to restrict or withdraw the right of shareholders for advance subscription in cases where such bonds are issued for the financing or re-financing of a takeover of an enterprise, of parts of an enterprise, or of participations. If the right for advance subscription is withdrawn by the Board of Directors, the convertible bond or warrant issues are to be offered at market conditions (including standard dilution protection provisions in accordance with market practice) and the new shares are issued at the current convertible bond or warrant issue conditions. The conversion rights may be exercisable during a maximum of ten years and option rights for a maximum of seven years from the time of the respective issue. The conversion or option price or its calculation methodology shall be determined in accordance with market conditions, whereby for shares of Zurich Insurance Group Ltd the quoted share price is to be used as a basis.

Employee participation

On January 1, 2011, the contingent share capital, to be issued to employees of Zurich Insurance Group Ltd and its subsidiaries, amounted to CHF 470,836.30 or 4,708,363 fully paid registered shares with a nominal value of CHF 0.10 each. On January 1, 2012, the contingent share capital, to be issued to employees of Zurich Insurance Group Ltd and its subsidiaries, amounted to CHF 390,943.70 or 3,909,437 fully paid registered shares with a nominal value of CHF 0.10 each.

During 2012 and 2011, 914,301 shares and 798,926 shares, respectively, were issued to employees out of the contingent share capital. Of the total 914,301 registered shares issued to employees during the year 2012, 693,429 shares were issued in the period from January 1, 2012 to March 31, 2012 and 220,872 registered shares were issued as from April 1, 2012, to December 31, 2012. As a result, on December 31, 2012 and 2011, respectively, the remaining contingent share capital, which can be issued to employees of Zurich Insurance Group Ltd and its subsidiaries, amounted to CHF 299,513.60 and CHF 390,943.70 or 2,995,136 and 3,909,437 fully paid registered shares, respectively, with a nominal value of CHF 0.10 each. The pre-emptive rights of the shareholders, as well as the right for advance subscription, are excluded. The issuance of shares to employees is subject to one or more regulations to be issued by the Board of Directors and take into account performance, functions, levels of responsibility and criteria of profitability. Shares may be issued to the employees at a price lower than that quoted on the stock exchange.

Holding company *continued*

13. Capital contribution reserve

Capital contribution reserve

in CHF thousands	2012	2011
As of January 1	12,981,667	14,000,000
Appropriation of available earnings		
Transfer from retained earnings	–	*1,275,702*
Transfer to free reserve for dividend payment	*(2,494,314)*	*(2,479,883)*
Agio on share-based payment transactions	200,631	185,848
Subscription rights out of capital increase 2002	428	–
As of December 31	**10,688,412**[1]	**12,981,667**

[1] Of this amount CHF 4,037 thousands may not qualify for Swiss withholding tax exempt payments to shareholders according to the current treatment of issuance stamp tax by the Federal tax administration.

14. Capital contribution reserve (reserve for treasury shares)

This reserve corresponds to the purchase value of all Zurich Insurance Group Ltd shares held by companies in the Zurich Insurance Group as shown in the table below.

Capital contribution reserve (reserve for treasury shares)

	Number of shares 2012	**Purchase value 2012**[1]	Number of shares 2011	Purchase value 2011[1]
As of January 1	1,373,392	334,910	1,399,080	341,140
Additions during the year	120	19	100	20
Sales during the year	(25,117)	(6,105)	(25,788)	(6,250)
As of December 31	**1,348,395**	**328,824**	**1,373,392**	**334,910**
Average purchase price of additions, in CHF		155		199
Average selling price, in CHF		229		256

[1] in CHF thousands

15. Shareholders

The shares registered in the share ledger as of December 31, 2012, were owned by 124,847 shareholders of which 119,238 were private individuals holding 24.7 percent of the shares (or 15.3 percent of all outstanding shares), 2,015 were foundations and pension funds holding 7.2 percent of the shares (or 4.5 percent of all outstanding shares), and 3,594 were other legal entities holding 68.1 percent of the shares (or 42.3 percent of all outstanding shares).

According to the information available on December 31, 2012, Zurich Insurance Group Ltd is not aware of any person or institution, other than BlackRock, Inc., New York, and Norges Bank, Oslo, which, directly or indirectly, had an interest as a beneficial owner in shares, option rights and/or conversion rights relating to shares of Zurich Insurance Group Ltd representing three percent or more of its issued shares.

Information required by art. 663c paragraph 3 of the Swiss Code of Obligations on the share and option holdings of the members of the Board of Directors and the members of the Group Executive Committee are disclosed in note 18.

16. Information on the risk assessment process

Refer to the disclosures in the Risk review on pages 111 to 161 of this Annual Report.

17. Remuneration of the Board of Directors and the Group Executive Committee

This note sets out details of the remuneration of the Board of Directors and of the members of the Group Executive Committee (GEC) in accordance with the information required by articles 663b[bis] and 663c paragraph 3 of the Swiss Code of Obligations. This information should be read in connection with the unaudited Remuneration report, set out on pages 56 to 81 in which additional details of the remuneration principles and architecture can be found.

The remuneration paid to the Directors for their Board membership of Zurich Insurance Group Ltd, the holding company of the Group, and Zurich Insurance Company Ltd is paid entirely by Zurich Insurance Group Ltd. The fees for Mr. de Swaan's additional Board membership in Zurich Insurance plc (ZIP) and Zurich Life Assurance plc (ZLAP) and for the additional Board memberships of Mrs. Bies and Mr. Nicolaisen in Zurich Holding Company of America (ZHCA) are paid by the respective companies. Remuneration paid to the members of the GEC is not paid by Zurich Insurance Group Ltd, but by the Group entities where they are employed. The remuneration shown below includes the remuneration that the members of the Board and the GEC received for all their functions in the Group. As the financial statements of the holding company are presented in Swiss francs, all figures are shown in Swiss francs, with totals also presented in U.S. dollars. The remuneration paid to the members of the Board is designated in Swiss francs. The remuneration of the members of the GEC is paid in local currency and therefore year-on-year comparisons are affected by movements in exchange rates.

Remuneration of Directors

The following tables set out the total fees paid to Directors of Zurich Insurance Group Ltd. All the Directors are also Directors of Zurich Insurance Company Ltd. The Directors receive a combined fee for their work in connection with Zurich Insurance Group Ltd and Zurich Insurance Company Ltd. In addition, Mr. de Swaan is a member of the Board of both ZIP and ZLAP and Mrs. Bies and Mr. Nicolaisen are members of the Board in ZHCA. The fee structure for Directors was reviewed and no changes were made for 2012. The fees are set out in the Remuneration report on page 69.

A fixed portion of the fee continues to be allocated towards the provision of three-year sales-restricted Zurich Insurance Group Ltd shares. The portion for the Chairman was set at CHF 333,500 for both years ended December 31, 2012 and 2011, and the portion for the other members of the Board of Directors at CHF 80,000 for both years ended December 31, 2012 and 2011. The overall fees are set out in the following tables:

Directors' fees 2012

in CHF	2012[1]						
	Basic fee	Committee fee[2]	Chair fee[3]	Other fee[7]	Total fees	Of which paid in cash[5]	Of which allocated in shares[4,5]
J. Ackermann, Chairman[6,9]	846,198	–	–	–	846,198	563,399	282,799
M. Gentz, Chairman[6,9]	243,170	–	–	–	243,170	243,170	–
T. de Swaan, Vice Chairman[6,9]	342,172	12,159	7,295	85,000	446,626	332,569	114,057
S. Bies, Member	240,000	50,000	–	50,000	340,000	260,000	80,000
A. Carnwath, Member[9]	181,202	37,705	–	–	218,907	158,361	60,546
V.L.L. Chu, Member	240,000	50,000	–	–	290,000	210,000	80,000
R. del Pino, Member[9]	181,202	37,705	–	–	218,907	158,361	60,546
Th. Escher, Member	240,000	50,000	22,623	–	312,623	232,623	80,000
F. Kindle, Member	240,000	50,000	–	–	290,000	210,000	80,000
A. Meyer, Member	240,000	50,000	–	–	290,000	210,000	80,000
D. Nicolaisen, Member	240,000	50,000	40,000	50,000	380,000	300,000	80,000
V.L. Sankey, Member[9]	58,361	12,159	7,295	–	77,815	77,815	–
R. Watter, Member	240,000	50,000	–	–	290,000	210,000	80,000
Total in CHF[8]	**3,532,305**	**449,728**	**77,213**	**185,000**	**4,244,246**	**3,166,298**	**1,077,948**
Total in USD[10]	**3,797,932**	**483,547**	**83,019**	**198,912**	**4,563,411**	**3,404,402**	**1,159,009**

Holding company *continued*

Directors' fees 2011

in CHF	2011[1]						
	Basic fee	Committee fee[2]	Chair fee[3]	Other fee[7]	Total fees	Of which paid in cash[5]	Of which allocated in shares[4, 11]
M. Gentz, Chairman[6]	1,000,000	–	–	–	1,000,000	666,500	333,500
J. Ackermann, Vice-Chairman[6]	375,000	–	–	–	375,000	250,000	125,000
S. Bies, Member	240,000	50,000	–	50,000	340,000	260,000	80,000
V.L.L. Chu, Member	240,000	50,000	–	–	290,000	210,000	80,000
Th. Escher, Member	240,000	50,000	–	–	290,000	210,000	80,000
F. Kindle, Member	240,000	50,000	–	–	290,000	210,000	80,000
A. Meyer, Member	240,000	50,000	–	–	290,000	210,000	80,000
D. Nicolaisen, Member	240,000	50,000	40,000	50,000	380,000	300,000	80,000
V.L. Sankey, Member	240,000	50,000	30,000	–	320,000	240,000	80,000
T. de Swaan, Member	240,000	50,000	30,000	72,500	392,500	312,500	80,000
R. Watter, Member	240,000	50,000	–	–	290,000	210,000	80,000
Total in CHF[8]	**3,535,000**	**450,000**	**100,000**	**172,500**	**4,257,500**	**3,079,000**	**1,178,500**
Total in USD[10]	**3,954,360**	**503,384**	**111,863**	**192,964**	**4,762,571**	**3,444,264**	**1,318,306**

1 The remuneration shown in the tables is gross, based on the accrual principle and does not include any business-related expenses incurred in the performance of the Directors' services.
2 Committee members receive a cash fee of CHF 50,000 (CHF 50,000 in 2011) for all committees on which they serve, irrespective of the number. The committees on which the Directors serve are set out in the Corporate governance report on page 26.
3 Committee chairs receive an annual fee of CHF 30,000 (CHF 30,000 in 2011) and the chair of the Audit Committee receives an additional CHF 10,000 (CHF 10,000 in 2011). The committees on which the Directors serve and the chairs are set out in the Corporate governance report on page 26.
4 The shares allocated to the Directors are sales-restricted for three years.
5 As of June 16, 2012, Mr. Ackermann was allocated 1,365 shares, Mr. de Swaan was allocated 550 shares, and the other Board members were allocated 386 shares based on a full year's membership. The share price (CHF 207.10) as of June 16, 2012 was adopted to calculate the number of shares based on the fixed portion of the fee allocated in shares for the respective members. Where the value of the allocated shares did not equal the value of the portion of the fee to be allocated in shares, the difference was paid in cash.
6 Neither the Chairman nor the Vice-Chairman receive any additional fees for their committee work.
7 In addition to the fees received as Directors of Zurich Insurance Company Ltd, Mrs. Bies, Mr. Nicolaisen and Mr. de Swaan earned fees for their board memberships of the following of Zurich Insurance Group companies:
– In both 2012 and 2011, Mrs. Bies and Mr. Nicolaisen earned CHF 50,000 for their membership of the board of Zurich Holding Company of America (ZHCA).
– In 2012, Mr. de Swaan earned CHF 75,000 for his membership of the board of Zurich Insurance plc and of the board of Zurich Life Assurance plc. He also earned an annual fee of CHF 10,000 for being chair of the audit committees of these two companies. In 2011, Mr. de Swaan earned CHF 72,500 in respect for his work on the two boards.
8 In line with applicable laws, Zurich paid the company-related portion of contributions to social security systems, which amounted to CHF 160,340 in 2012. The corresponding contributions amounted to CHF 142,832 in 2011. Any personal contributions of the Directors to social security systems are included in the amounts shown in the table above.
9 At the Annual General Meeting on March 29, 2012 Mr. Gentz and Mr. Sankey retired from the Board and Ms. Carnwath and Mr. del Pino were elected to the Board. Mr. Ackermann was appointed Chairman and Mr. de Swaan Vice-Chairman of the Board of Directors.
10 The amounts have been translated from Swiss francs to US dollars at the relevant exchange rates throughout the year.
11 As of June 30, 2011, Mr. Gentz was allocated 1,523 shares, Mr. Ackermann was allocated 571 shares, and the other Board members were allocated 365 shares based on a full year's membership. The share price (CHF 218.90) as of June 15, 2011 was adopted to calculate the number of shares based on the fixed portion of the fee allocated in shares for the respective members. Where the value of the allocated shares did not equal the value of the portion of the fee to be allocated in shares, the difference was paid in cash.

The Directors' fees are not pensionable. None of the Directors received any benefits-in-kind or any other compensation other than that set out in the tables above.

At the Annual General Meeting on March 29, 2012, the terms of office of Mr. Gentz and of Mr. Sankey expired and they did not stand for re-election. No termination payments (i.e. "golden parachutes") were made and no other benefits such as waiver of lock-up periods for equities, shorter vesting periods or additional contributions to occupational pension schemes were provided. Ms. Carnwath and Mr. del Pino were elected new members of the Board of Directors. No special payments (i.e. "golden handshakes") or other benefits were provided.

Except for Mr. Watter none of the Directors had outstanding loans, advances or credits as of December 31, 2012 or 2011. Unrelated to his Board membership and on terms and conditions available to other customers, Mr. Watter had a collateralized policy loan of CHF 2.5 million outstanding as of December 31, 2012 and 2011. The annual interest rate charged on the loan is 4 percent.

No benefits (or waiver of claims) have been provided to former members of the Board during the year 2012 or during the year 2011. Neither had any former member of the Board outstanding loans, advances or credits as of December 31, 2012 or 2011.

No benefits (or waiver of claims) have been provided to related parties of the Directors or related parties of former members of the Board during the year 2012, nor during the year 2011. Neither had any related party of the Directors or of former members of the Board outstanding loans, advances or credits as of December 31, 2012 or 2011.

Remuneration of Group Executive Committee

The total remuneration of the members of the GEC for 2012 comprised the value of cash compensation, pensions, other remuneration and the value of the target equity grants made under the Group's Long-Term Incentive Plan in 2012 and is calculated based on the same methodology as in 2011. Overall compensation of the GEC members in total and the overall compensation of the highest paid executive are set out in the following tables:

All GEC members (incl. the highest paid)

in CHF million[1], for the year ended December 31	**2012[2]**	2011[3]
Base salaries	11.30	11.20
Cash incentive awards earned for the year	11.20	12.70
Value of target performance share grants[4]	15.20	15.50
Service costs for pension benefits[5]	3.10	3.00
Value of other remuneration[6]	1.80	3.00
Total in CHF million[7]	**42.60**	**45.40**
Total in USD million[8]	**46.40**	**50.30**

1 The remuneration shown in the table is gross, based on the accrual principle and does not include any business related expenses incurred in the performance of the members' services.
2 On the basis of 13 GEC members, of whom 9 served during the full year 2012.
3 On the basis of 12 GEC members, of whom 9 served during the full year 2011.
4 The share grants will vest in the future according to achievement of defined performance conditions. The value of the shares assumes that the grant will vest in the future at 100 percent of the target level with the valuation of the target performance share grants based on the share price of the day prior to the grants (CHF 225.90 for 2012 and CHF 243.60 for 2011).
5 The amounts reflect the total value of pension benefits accruing to members of the GEC during 2012 and 2011, respectively, calculated on the basis of the service costs for the company as assessed under IAS 19 accounting principles. Service costs value the amount of the pension benefits accruing during the year and for defined contribution plans takes the amount of the company contribution paid during the year. Service costs do not include the interest costs on accrued benefits, adjustments for actuarial gains and losses, nor the expected return on any assets held.
6 Includes employee benefits, expatriate allowances, perquisites, benefits-in-kind and any other payments due under employment contracts. Benefits-in-kind have been valued using market rates.
7 In line with applicable laws where the executives are employed, Zurich Insurance Group Ltd paid the company-related portion of contributions to social security systems, which amounted to USD 1.7 million in 2012 and USD 2.2 million in 2011. Since the contributions are based on full earnings, whereas benefits are capped, there is not a direct correlation between the costs paid to the social security system and the benefits received by the executives.
8 The amounts have been translated to US dollars at the relevant exchange rates throughout the year and the cash incentive to be paid in 2013 has been translated at the year-end rate in 2012.

Holding company *continued*

Highest paid executive, Chief Executive Officer, Martin Senn

in CHF millions[1], for the year ended December 31	2012	2011
Base salary	1.60	1.60
Cash incentive awards earned for the year	2.00	2.40
Value of target performance share grants[2]	3.60	3.60
Service costs for pension benefits[3]	0.30	0.20
Value of other remuneration[4]	0.10	0.10
Total in CHF million	**7.60**	**7.90**
Total in USD million[5]	**8.30**	**8.60**

[1] The remuneration shown in the table is gross, based on the accrual principle and does not include any business related expenses incurred in the performance of the CEO's services.
[2] The share grants will vest in the future according to the achievement of defined performance conditions. The value of the shares assumes that the grant will vest in the future at 100 percent of the target level with the valuation of the target performance share grants based on the share price on the day prior to the grants (CHF 225.90 for 2012 and CHF 243.60 for 2011).
[3] The amounts reflect the total value of pension benefits, calculated on the basis of the service costs for the company as assessed under IAS 19 accounting principles. Service costs value the amount of the pension benefits accruing during the year and for defined contribution plans takes the amount of the company contribution paid during the year. Service costs do not include the interest costs on accrued benefits, adjustments for actuarial gains and losses, nor the expected return on any assets held.
[4] Includes employee benefits, perquisites, benefits-in-kind and any other payments due under the employment contract. Benefits-in-kind have been valued using market rates.
[5] Mr. Senn's remuneration is paid in Swiss francs. The amounts have been translated from Swiss francs to US dollars at the relevant exchange rates throughout the year and the cash incentive to be paid in 2013 has been translated at the year-end rate in 2012.

As of December 31, 2012 and 2011, there were no loans, advances or credits outstanding from GEC members.

During 2012, two members of the GEC left the Group. Agreements with the departing members provided remuneration in accordance with their employment contracts. No termination payments (i.e. "golden parachutes") were made and no other benefits such as agreements concerning special notice periods or longer term contracts (exceeding 12 months in duration), waiver of lock-up periods for equities, shorter vesting periods or additional contributions to occupational pension schemes were provided. As described in the 2010 report a member who retired at the end of 2010, after long service with the Group, was retained as a consultant in 2011 and 2012. Recognizing the prior contractual obligations, adherence to postemployment obligations and the provision of services in 2012 the member received remuneration in the amount of USD 2.4 million during 2012. No other former members of the GEC received remuneration in 2012. In addition, as of December 31, 2012 and 2011 no former member of the Group Executive Committee had any outstanding loans, advances or credits.

No benefits (or waiver of claims) have been provided to related parties of GEC members or related parties of former members of the GEC during the year 2012 or 2011. Neither had any related party of GEC members or of former members of the GEC outstanding loans, advances or credits as of December 31, 2012 or 2011.

18. Shareholdings of the Board of Directors and the Group Executive Committee

Share and share option holdings of the Directors and of the members of the GEC, who held office at December 31, 2012 and 2011, are set out below in accordance with the information required by article 663c paragraph 3 of the Swiss Code of Obligations. This information is also included in the unaudited Remuneration report, set out on pages 56 to 81 of the Annual Report in which additional details can be found.

Shareholdings of Directors

Shareholdings of Directors

Number of Zurich Insurance Group Ltd shares [1], as of December 31	Ownership of shares	
	2012	2011
J. Ackermann, Chairman	23,271	806
M. Gentz, Chairman	n/a	6,868
T. de Swaan, Vice-Chairman	2,079	1,529
S. Bies, Member	1,632	1,246
A. Carnwath, Member	292	n/a
V.L.L. Chu, Member	1,632	1,246
R. del Pino, Member	292	n/a
Th. Escher, Member	9,470	7,084
F. Kindle, Member	16,915	16,529
A. Meyer, Member	3,239	2,853
D. Nicolaisen, Member	1,915	1,529
V.L. Sankey, Member	n/a	2,699
R. Watter, Member	4,883	4,497
Total	**65,620**	**46,886**

[1] None of the Directors together with parties related to them held more than 0.5 percent of the voting rights of Zurich Insurance Group Ltd shares as of December 31, 2012 or 2011, respectively.

All interests are beneficial, include sales-restricted shares allocated to the Directors as part of their fees and shares held by related parties of the Directors.

None of the Directors, nor any related party of a Director, hold any share options or conversion rights over Zurich Insurance Group Ltd shares as of December 31, 2012 or 2011.

Share and share option holdings of the members of the GEC

The following table sets out the actual share and share option holdings of the members of the GEC as of December 31, 2012 and 2011. In addition to any shares acquired in the market, the numbers include vested shares, whether sales-restricted or not, and vested share options received under the Group's Long-Term Incentive Plan. However, the table does not include the share interests of the members of the GEC through their participation in the currently unvested performance shares, unvested restricted shares or unvested performance share options.

All interests are beneficial and include Zurich Insurance Group Ltd shares or share options held by parties related to the members of the GEC. One vested option gives the right to one share with normal voting and dividend rights. Further details on the overall number of share options allocated under the Group's Long-Term Incentive Plan and the terms of the options are set out in the tables "Summary of outstanding options". With effect from 2011, share option grants were discontinued. Those option grants made in the period up to and including 2010 continue to earn out in accordance with the terms and conditions of those grants.

Holding company *continued*

Share and vested share option holdings of the GEC members

Number of vested shares and vested share options [1], as of December 31	2012		2011	
	Ownership of shares	**Ownership of vested options over shares[2]**	Ownership of shares	Ownership of vested options over shares[2]
M. Senn, Chief Executive Officer	29,719	103,447	20,936	81,362
J. Dailey, CEO of Farmers Group, Inc.[3]	2,373	14,987	n/a	n/a
M. Foley, Chief Executive Officer North America Commercial and Regional Chairman of the Americas	9,306	52,710	9,726	41,348
M. Greco, Chief Executive Officer General Insurance[4]	n/a	n/a	7,847	36,885
Y. Hausmann, Group General Councel[5]	3,728	7,301	n/a	n/a
K. Hogan, Chief Executive Officer Global Life	3,080	13,032	1,466	8,185
M. Kerner, CEO General Insurance[6]	8,469	24,432	n/a	n/a
A. Lehmann, Chief Risk Officer and Regional Chairman of Europe	23,128	84,640	18,671	86,713
C. Orator, Chief Administrative Officer[7]	n/a	n/a	5,868	12,987
C. Reyes, Chief Investment Officer	4,823	22,012	2,555	15,123
G. Riddell, Regional Chairman of Asia-Pacific & Middle East	25,002	73,136	22,182	62,685
K. Terryn, Group Head of Operations	4,324	20,540	2,239	16,391
P. Wauthier, Chief Financial Officer	4,947	23,283	3,936	25,061
	118,899	**439,520**	**95,426**	**386,740**

[1] None of the GEC members together with parties related to them held more than 0.5 percent of the voting rights of Zurich Insurance Group Ltd shares as of December 31, 2012 or 2011, respectively, either directly or through share options.
[2] The distribution of the vested options according to the grants identified in the tables "Summary of outstanding options" is shown in the table below.
[3] Mr. Dailey was appointed to the GEC as of January 1, 2012.
[4] Mr. Greco left the function on June 4, 2012 and his employment contract terminated on July 31, 2012.
[5] Mr. Hausmann was appointed to the GEC as of July 1, 2012.
[6] Mr. Kerner was appointed to the GEC as of September 1, 2012.
[7] Mr. Orator left the function on June 30, 2012 and his employment contract terminated on December 31, 2012.

The following tables show how the totals of vested share options owned by members of the GEC as of December 31, 2012 and 2011, are distributed according to the grants identified in the tables "Summary of outstanding options."

Distribution of vested share options 2012

Number of vested share options as of December 31, 2012	Year of grant					Total
	2010	2009	2008	2007	2006	
M. Senn	39,316	16,035	17,094	19,200	11,802	103,447
J. Dailey[1]	6,613	3,284	5,090	–	–	14,987
M. Foley	16,907	13,640	11,568	10,595	–	52,710
Y. Hausmann[2]	7,301	–	–	–	–	7,301
K. Hogan	7,212	5,820	–	–	–	13,032
M. Kerner[3]	5,471	4,414	4,210	5,327	5,010	24,432
A. Lehmann	21,063	16,035	17,094	17,028	13,420	84,640
C. Reyes	14,041	2,115	2,256	1,950	1,650	22,012
G. Riddell	15,734	12,255	14,330	18,623	12,194	73,136
K. Terryn	6,290	4,789	3,624	3,108	2,729	20,540
P. Wauthier	5,701	4,341	4,627	4,675	3,939	23,283
Total	**145,649**	**82,728**	**79,893**	**80,506**	**50,744**	**439,520**

[1] Mr. Dailey was appointed to the GEC as of January 1, 2012.
[2] Mr. Hausmann was appointed to the GEC as of July 1, 2012.
[3] Mr. Kerner was appointed to the GEC as of September 1, 2012.

Distribution of vested share options 2011

Number of vested share options as of December 31, 2011	Year of grant						Total
	2010	2009	2008	2007	2006	2005	
M. Senn	21,663	11,603	17,094	19,200	11,802	–	81,362
M. Foley	9,316	9,869	11,568	10,595	–	–	41,348
M. Greco	11,606	11,603	13,676	–	–	–	36,885
K. Hogan	3,974	4,211	–	–	–	–	8,185
A. Lehmann	11,606	11,603	17,094	17,028	13,420	15,962	86,713
Ch. Orator	2,437	1,142	3,589	3,034	2,785	–	12,987
C. Reyes	7,737	1,530	2,256	1,950	1,650	–	15,123
G. Riddell	8,670	8,868	14,330	18,623	12,194	–	62,685
K. Terryn	3,465	3,465	3,624	3,108	2,729	–	16,391
P. Wauthier[1]	3,141	3,141	4,627	4,675	3,939	5,538	25,061
Total	**83,615**	**67,035**	**87,858**	**78,213**	**48,519**	**21,500**	**386,740**

[1] Mr. Wauthier was appointed to the GEC as of October 1, 2011.

The following tables set out additional details of the options outstanding for members of the GEC as at December 31, 2012 and 2011, respectively. Further details can be found in the unaudited Remuneration report, pages 56 to 81.

Holding company *continued*

Summary of outstanding options, 2012

as of December 31, 2012

Year of grant	Number of options vested	Number of options unvested	Total number of shares under option	Exercise price per share CHF	Year of expiry
2010	145,649	59,453	205,102	259.90	2017
2009	82,728	–	82,728	198.10	2016
2008	79,893	–	79,893	336.50	2015
2007	80,506	–	80,506	355.75	2014
2006	50,744	–	50,744	308.00	2013
Total	**439,520**	**59,453**	**498,973**		

Summary of outstanding options, 2011

as of December 31, 2011

Year of grant	Number of options vested	Number of options unvested	Total number of shares under option	Exercise price per share CHF	Year of expiry
2010	83,615	123,883	207,498	259.90	2017
2009	67,035	23,730	90,765	198.10	2016
2008	87,858	–	87,858	336.50	2015
2007	78,213	–	78,213	355.75	2014
2006	48,519	–	48,519	308.00	2013
2005	21,500	–	21,500	206.40	2012
Total	**386,740**	**147,613**	**534,353**		

Proposed appropriation of available earnings and capital contribution reserve

as of December 31	2012	2011
Registered shares eligible for dividends		
Eligible shares	148,300,123	147,385,822

in CHF thousands	2012	2011
Appropriation of available earnings as proposed by the Board of Directors		
Net income after taxes	2,382,137	960,686
Balance brought forward	2,939,269	1,978,583
Retained earnings	5,321,406	2,939,269
Balance carried forward	5,321,406	2,939,269

The Board of Directors proposes to the shareholders at the Annual General Meeting on April 4, 2013, to carry forward retained earnings of CHF 5,321,406,484 as shown in the above table.

in CHF thousands	Capital contribution reserve
Appropriation of capital contribution reserve	
Balance at January 1, 2013 (incl. reserve for treasury shares)	10,688,412
Dividend payment out of capital contribution reserve	(2,521,102)[1]
Balance carried forward	8,167,310 [1]

[1] These figures are based on the issued share capital as of December 31, 2012. They may change following the issuance of shares out of contingent capital for employees after the balance sheet date (see note 12). Treasury shares are not entitled to dividends.

The Board of Directors proposes to the Annual General Meeting on April 4, 2013, to pay out a dividend of CHF 2,521 million from the capital contribution reserve.

If this proposal is approved, a payment of CHF 17.00 per share exempt from Swiss withholding tax is expected to be paid starting from April 11, 2013.

Zurich, February 13, 2013

On behalf of the Board of Directors of Zurich Insurance Group Ltd

Dr. Josef Ackermann

Report of the statutory auditor

Report of the Statutory Auditor

To the General Meeting of Zurich Insurance Group Ltd, Zurich

As statutory auditor, we have audited the accompanying financial statements of Zurich Insurance Group Ltd, which comprise the income statements, balance sheets and notes (pages 327 to 340), for the year ended December 31, 2012.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2012, comply with Swiss law and the Company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings (page 341) complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Richard Burger	Peter Bieri
Audit expert	Audit expert
Auditor in charge	

Zurich, February 13, 2013

Report in relation to the conditional capital increase

Report in Relation to the Conditional Capital Increase

To the Board of Directors of Zurich Insurance Group Ltd, Zurich

On your instructions, we have audited in accordance with Art. 653f, paragraph 1 Swiss Code of Obligations the issuance of new shares, which took place during the period of January 1, 2012, to December 31, 2012, according to the resolution of the general meeting of March 30, 2010.

It is the duty of the Board of Directors to perform the issuance of new shares in accordance with the requirements of the company's statutes. Our responsibility is to perform audit procedures designed to test whether the issuance was performed in accordance with the law and requirements of the company's statutes. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether material violations against legal and statutory requirements and deviations from the regulations as mentioned in the prospectus regarding the issuance of shares are detected. We have performed audit procedures appropriate to the circumstances and we believe that our audit provides a reasonable basis for our opinion.

In our opinion, the issuance of 914,301 registered shares with a par value of CHF 0.10 complies with Swiss law and the Company's articles of incorporation.

PricewaterhouseCoopers Ltd

Richard Burger Audit expert Auditor in charge	Peter Bieri Audit expert

Zurich, January 10, 2013

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Deutsche Übersetzung

Im Folgenden werden Bilanz und Erfolgsrechnung der Konzernrechnung und des statutarischen Einzelabschlusses der Holdinggesellschaft in deutscher Sprache präsentiert. Wir weisen darauf hin, dass die Übersetzung dieser Tabellen vom englischen Original in die deutsche Sprache von der externen Revisionsstelle der Gruppe nicht revidiert wurde.

Inhalt

Auszug aus der Konzernrechnung

Konsolidierte Erfolgsrechnung

in Millionen USD	2012	angepasst 2011
Erträge		
Bruttoprämien	51'285	47'748
Policengebühren	2'692	2'452
Bruttoprämien und Policengebühren	53'977	50'200
Abzüglich: an die Rückversicherer zedierte Prämien	(6'481)	(6'550)
Prämien und Policengebühren für eigene Rechnung	47'496	43'650
Veränderung des Prämienübertrags	(741)	(751)
Verdiente Prämien und Policengebühren für eigene Rechnung, netto	46'755	42'899
Farmers Managementgebühren und verbundene Erträge	2'846	2'767
Ergebnis aus Kapitalanlagen der Gruppe, netto	8'911	9'367
Erträge aus den Kapitalanlagen der Gruppe, netto	6'711	7'185
Realisierte Gewinne/(Verluste) und Wertminderungen aus Kapitalanlagen	2'201	2'182
Erträge aus Kapitalanlagen für Rechnung und Risiko Dritter, netto	10'268	(3'544)
Gewinne/(Verluste) aus Veräusserung von Geschäftsbereichen	(34)	6
Übrige Erträge	1'669	1'488
Gesamtertrag	70'414	52'983
Aufwendungen		
Gesamtaufwand für Versicherungsleistungen, (inkl. Rückversicherung)	37'271	38'132
Abzüglich: an Rückversicherer zedierte Versicherungsleistungen	(3'519)	(5'052)
Gesamtaufwand für Versicherungsleistungen für eigene Rechnung	33'752	33'080
Überschuss- und Gewinnanteile der Versicherten, netto	11'479	(2'685)
Abschlussaufwand	10'014	8'516
Übriger Betriebs- und Verwaltungsaufwand	8'661	8'270
Zinsaufwand auf Darlehen und Anleihen	570	586
Zinsgutschriften an Versicherungsnehmer und übriger Zinsaufwand	475	479
Gesamtaufwand	64'951	48'246
Gewinn vor Ertragssteuern	5'462	4'738
Ertragssteuern	(1'496)	(963)
den Versicherungsnehmern zurechenbar	(194)	242
den Aktionären zurechenbar	(1'301)	(1'204)
Reingewinn nach Steuern	**3'967**	3'775
den Minderheitsanteilen zurechenbar	89	25
den Aktionären zurechenbar	3'878	3'750
in USD		
Basis-Gewinn je Aktie	26.44	25.70
Verwässerter Gewinn je Aktie	26.31	25.50
in CHF		
Basis-Gewinn je Aktie	24.79	22.69
Verwässerter Gewinn je Aktie	24.66	22.52

Konsolidierte Bilanz

Aktiven

in Millionen USD, per	**31.12.12**	angepasst 31.12.11	angepasst 01.01.11
Kapitalanlagen			
Total Kapitalanlagen der Gruppe	208’707	197’677	195’898
Flüssige Mittel	9’098	8’882	8’182
Aktien	12’341	12’650	13’729
Obligationen	155’594	144’511	140’254
Liegenschaften für Anlagezwecke	8’561	8’472	8’274
Hypotheken	10’519	11’058	11’851
Übrige Darlehen	12’423	11’944	13’419
Anteile an assoziierten Unternehmen und Gemeinschaftsunternehmen	172	161	188
Kapitalanlagen für Rechnung und Risiko Dritter	125’226	114’276	107’947
Total Kapitalanlagen	333’934	311’953	303’845
Anteil der Rückversicherer an den versicherungstechnischen Rückstellungen	19’753	19’592	18’816
Depotforderungen aus übernommener Rückversicherung	2’588	2’711	2’837
Aktivierte Abschlussaufwendungen für Versicherungsverträge (DAC)	18’346	17’420	16’187
Aktivierte Abschlussaufwendungen für Investmentverträge (DOC)	770	824	866
Rechnungsabgrenzungsposten aus Kapitalanlagen	2’414	2’589	2’749
Forderungen und übrige Aktiven	18’423	17’828	17’671
Als Sicherheit dienende Hypotheken	–	223	743
Latente Steuerguthaben	1’854	2’076	2’067
Aktiva aus zur Veräusserung gehaltenen Geschäftsbereichen	102	54	–
Liegenschaften und Sachanlagen	1’530	1’580	1’689
Goodwill	2’107	2’060	2’104
Übrige immaterielle Aktiven	7’448	8’062	5’954
Total Aktiven	**409’267**	**386’971**	**375’529**

Passiven

in Millionen USD, per	31.12.12	angepasst 31.12.11	angepasst 01.01.11
Verbindlichkeiten			
Rückstellung für Prämienrückerstattung	706	611	518
Verbindlichkeiten aus Investmentverträgen	58’131	50’958	50’667
Depotverpflichtungen aus abgegebener Rückversicherung	1’558	1’560	1’362
Abgegrenzte Abschlussgebühren (DFEF)	6’073	5’720	5’626
Versicherungstechnische Rückstellungen	265’233	253’207	242’885
Verpflichtungen zum Rückkauf von Wertschriften	1’539	1’794	3’330
Rechnungsabgrenzungsposten	3’272	3’147	3’011
Übrige Verbindlichkeiten	18’135	19’137	18’396
Durch Hypotheken abgesicherte Darlehen	–	223	743
Latente Steuerverbindlichkeiten	5’238	4’569	4’482
Verbindlichkeiten aus zur Veräusserung gehaltenen Geschäftsbereichen	–	55	–
Vorrangige Darlehen und Anleihen	6’660	6’541	6’453
Nachrangige Darlehen und Anleihen	5’861	5’476	5’004
Total Verbindlichkeiten	**372’405**	**352’998**	**342’476**
Eigenkapital			
Aktienkapital	11	10	10
Kapitalreserven	8’172	9’907	11’630
Nicht realisierte Gewinne/(Verluste) auf zur Veräusserung verfügbaren Kapitalanlagen, netto	4’523	2’800	2’468
Cashflow Hedges	238	232	56
Währungsumrechnungsdifferenzen	(3’022)	(2’581)	(1’120)
Neubewertungsreserven	180	180	126
Gewinnreserven	24’391	20’936	18’072
Eigenkapital (ohne Vorzugspapiere)	34’494	31’484	31’243
Vorzugspapiere	–	–	475
Den Aktionären zurechenbares Eigenkapital	34’494	31’484	31’718
Minderheitsanteile	2’368	2’489	1’335
Total Eigenkapital	**36’862**	**33’973**	**33’053**
Total Passiven	**409’267**	**386’971**	**375’529**

Auszug aus der statutarischen Jahresrechnung der Holdinggesellschaft

Erfolgsrechnung

in Tausend CHF, für die per 31. Dezember abgeschlossenen Geschäftsjahre	**2012**	2011
Ertrag		
Zinsertrag	100'581	241'003
Dividendenertrag	2'400'000	1'521'569
Übriger finanzieller Ertrag	79'495	100'735
Übriger Ertrag	18'690	110
Total Ertrag	2'598'766	1'863'417
Aufwand		
Verwaltungsaufwand	(19'365)	(94'927)
Übriger finanzieller Aufwand	(190'330)	(800'204)
Steuern	(6'934)	(7'600)
Total Aufwand	(216'629)	(902'731)
Jahresgewinn nach Steuern	**2'382'137**	**960'686**

Bilanz

Aktiven

in Tausend CHF, per 31. Dezember	2012	2011
Anlagevermögen		
Beteiligungen an Tochtergesellschaften	11’779’569	11’854’569
Nachrangige Darlehen an Tochtergesellschaften	4’877’074	4’876’097
Total Anlagevermögen	16’656’643	16’730’666
Umlaufvermögen		
Flüssige Mittel	12’786	13’432
Darlehen an Tochtergesellschaften	646’367	491’300
Guthaben gegenüber Dritten	808	856
Abgegrenzte Erträge gegenüber Dritten	14	14
Abgegrenzte Erträge gegenüber Tochtergesellschaften	306	207’579
Derivate gegenüber Tochtergesellschaften	–	4’084
Total Umlaufvermögen	660’281	717’265
Total Aktiven	**17’316’924**	**17’447’931**

Passiven

Kurzfristige Verbindlichkeiten		
Darlehen gegenüber Tochtergesellschaften	–	202’794
Übrige Verbindlichkeiten gegenüber Tochtergesellschaften	668	–
Übrige Verbindlichkeiten gegenüber Dritten	865	1’511
Übrige Verbindlichkeiten gegenüber Aktionären	607	377
Rechnungsabgrenzungsposten gegenüber Tochtergesellschaften	14’227	14’578
Rechnungsabgrenzungsposten gegenüber Dritten	63’622	49’713
Derivate gegenüber Tochtergesellschaften	3’065	3’315
Total kurzfristige Verbindlichkeiten	83’054	272’288
Langfristige Verbindlichkeiten		
Langfristige Darlehen von Tochtergesellschaften	479’029	490’834
Rückstellungen	56’067	75’008
Total langfristige Verbindlichkeiten	535’096	565’842
Total Verbindlichkeiten	618’150	838’130
Eigenkapital (vor Gewinnverwendung)		
Aktienkapital	14’830	14’739
Gesetzliche Reserven:	11’029’552	13’322’807
Kapitaleinlagereserven	*10’688’412*	*12’981’667*
Allgemeine Kapitaleinlagereserven	*10’359’588*	*12’646’757*
Kapitaleinlagereserven (eigene Aktien)	*328’824*	*334’910*
Allgemeine gesetzliche Reserve	*341’140*	*341’140*
Freie Reserve:		
Per 01. Januar	*332’986*	*332’986*
Uebertrag aus Kapitaleinlagereserven	*2’494’314*	*2’479’883*
Dividende	*(2’494’314)*[1]	*(2’479’883)*[2]
Freie Reserve per 31. Dezember	332’986	332’986
Gewinnvortrag:	–	
Per 01. Januar	*2’939’269*	*3’254’285*
Uebertrag in Kapitaleinlagereserven	–	*(1’275’702)*
Gewinnvortrag nach Dividendenzahlung	*2’939’269*	*1’978’583*
Jahresgewinn nach Steuern	2’382’137	960’686
Gewinnvortrag per 31. Dezember	5’321’406	2’939’269
Total Eigenkapital (vor Gewinnverwendung)	16’698’774	16’609’801
Total Passiven	**17’316’924**	**17’447’931**

1 Vorgeschlagene Dividendenzahlung für das Berichtsjahr 2011
2 Vorgeschlagene Dividendenzahlung für das Berichtsjahr 2010

Aktionärs-informationen

In diesem Kapitel

Aktionärsinformationen

Die Namenaktie der Zurich Insurance Group AG

Kennzahlen

per 31. Dezember	**2012**	2011
Anzahl der ausgegebenen Aktien	148'300'123	147'385'822
Anzahl dividendenberechtigter Aktien[1]	148'300'123	147'385'822
Börsenkapitalisierung (in CHF Mio. per Ende Berichtsperiode)	36'096	31'319
Genehmigtes Kapital, Anzahl der Aktien	10'000'000	10'000'000
Bedingtes Kapital, Anzahl der Aktien	12'995'136	13'909'437

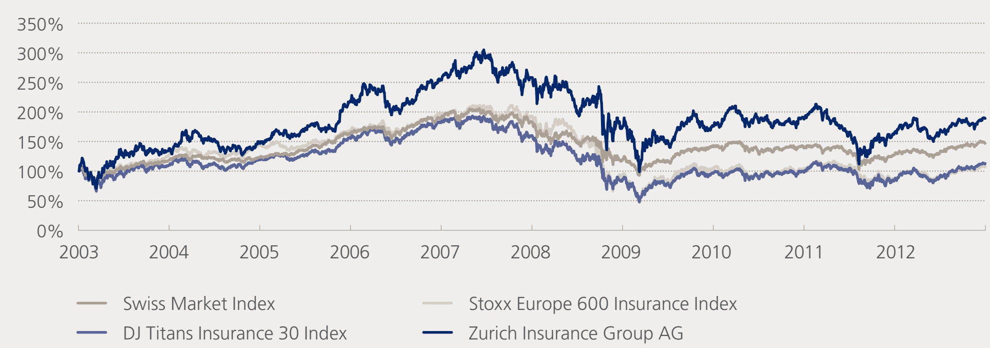
[1] Eigene Aktien sind nicht dividendenberechtigt.

Angaben je Aktie

in CHF	**2012**	2011
Bruttodividende	17.00[1]	17.00
Basis-Gewinn je Aktie	24.79	22.69
Verwässerter Gewinn je Aktie	24.66	22.52
Buchwert je Aktie per 31. Dezember	214.79	202.17
Nennwert je Aktie	0.10	0.10
Aktienkurs am Ende der Berichtsperiode	243.40	212.50
Höchster Aktienkurs während der Berichtsperiode	245.00	274.50
Tiefster Aktienkurs während der Berichtsperiode	193.10	144.90

[1] Vorgeschlagene Dividende, vorbehaltlich der Genehmigung durch die Aktionäre bei der ordentlichen Generalversammlung 2013; die Auszahlung erfolgt voraussichtlich ab dem 11. April 2013. Da die Dividende aus den Reserven aus Kapitaleinlagen geleistet werden soll, ist sie in der Schweiz nicht verrechnungssteuerpflichtig.

Kursverlauf (indexiert) über die vergangenen zehn Jahre



Quelle: Datastream

Ausgeschüttete Dividende

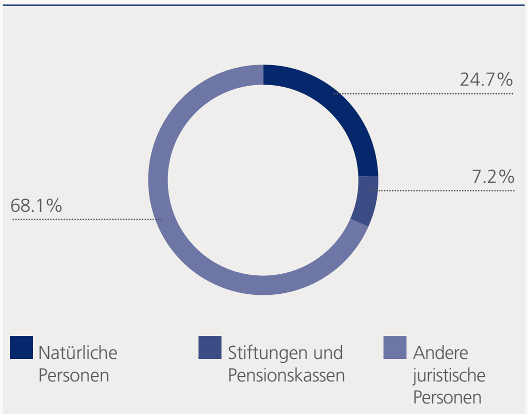
	Geschäftsjahr	**Bruttobetrag in CHF je Namenaktie**	**Ausschüttungsdatum ab dem**
Dividende	2012	17.00[1]	11. April 2013[1]
Dividende	2011	17.00	5. April 2012
Dividende	2010	17.00	7. April 2011
Dividende	2009	16.00	8. April 2010
Dividende	2008	11.00	7. April 2009
Dividende	2007	15.00	8. April 2008
Dividende	2006	11.00	10. April 2007
Dividende/Nennwertreduktion	2005	7.00	4. Juli 2006
Nennwertreduktion	2004	4.00	4. Juli 2005
Nennwertreduktion	2003	2.50	1. Juli 2004
Nennwertreduktion	2002	1.00	15. Juli 2003

[1] Vorgeschlagene Bruttodividende, vorbehaltlich der Genehmigung durch die Aktionäre bei der ordentlichen Generalversammlung 2013; die Auszahlung erfolgt voraussichtlich ab dem 11. April 2013.

Aktienhandel

Die Aktien von Zurich Insurance Group AG sind an der SIX Swiss Exchange kotiert. Der Handel erfolgt im Blue-Chip-Segment von SIX Swiss Exchange mit dem Ticker-Symbol: ZURN; die Schweizer Wertpapiernummer (Valorennummer) ist 1107539. Der Handel der Aktien von Zurich Insurance Group AG im Blue-Chip-Segment erfolgt in Schweizer Franken.

Eingetragene Aktionäre von Zurich Insurance Group AG



Die per 31. Dezember 2012 eingetragenen Namenaktien befinden sich im Besitz von 124‘847 Aktionären, und zwar in folgender Verteilung: 119‘238 natürliche Personen besitzen 24,7% der eingetragenen Aktien (oder 15,3% aller ausgegebenen Aktien), weitere 7,2% der eingetragenen Aktien (oder 4,5% aller ausgegebenen Aktien) werden von 2‘015 Stiftungen und Pensionskassen gehalten und 68,1% der eingetragenen Aktien (oder 42,3% aller ausgegebenen Aktien) befinden sich im Besitz von 3‘594 anderen juristischen Personen.

Bedeutende Aktionäre

Zurich Insurance Group AG ist ausser BlackRock, Inc., New York und Norges Bank, Oslo keine Person oder Institution bekannt, die als wirtschaftlich Berechtigte per 31. Dezember 2012 direkt oder indirekt Aktien, Optionsrechte und/oder Umwandlungsrechte von mehr als 3% der ausgegebenen Aktien von Zurich Insurance Group AG hielt. Die entsprechenden Veröffentlichungen sind über die Suchfunktion auf der Plattform der Offenlegungsstelle der SIX Swiss Exchange abrufbar: http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_de.html

Ferner ist Zurich Insurance Group AG nicht bekannt, dass per 31. Dezember 2012 irgendwelche Personen oder Institutionen direkt oder indirekt, gemeinsam oder allein, Kontrolle über Zurich Insurance Group AG ausübten oder aufgrund einer Vereinbarung ausüben konnten.

Wertpapiere Aktionärsdepot

Die Aktionäre von Zurich haben die Möglichkeit, Namenaktien von Zurich Insurance Group AG gebührenfrei bei der SIX SAG AG in der Schweiz zu hinterlegen. Das Depotreglement und das Antragsformular für das Aktionärsdepot können von unserer Webseite heruntergeladen werden: www.zurich.com/investors/shareholderinformation

Aktionärsinformationen *fortgesetzt*

Wichtige Daten

Ordentliche Generalversammlung 2013
4. April 2013

Ex-Dividendentag
8. April 2013

Dividende – Stichtag
10. April 2013

Zahlung der Dividende ab dem
11. April 2013

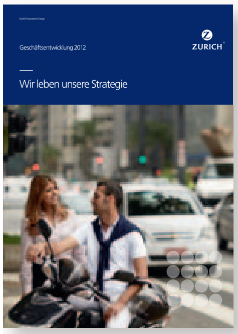
Ergebnisse für die per 31. März 2013 abgeschlossenen drei Monate
16. Mai 2013

Halbjahresergebnisse 2013
15. August 2013

Ergebnisse für die per 30. September 2013 abgeschlossenen neun Monate
14. November 2013

Publikationen

Geschäftsentwicklung 2012
Der Bericht Geschäftsentwicklung enthält Informationen zu Zurichs Geschäft, Strategie und Performance im Jahr 2012. Er ist auf Englisch, Deutsch und Französisch erhältlich.



Geschäftsbericht 2012
Der Geschäftsbericht enthält ausführliche Informationen zur finanziellen Performance von Zurich, zu ihrer Struktur, zu den Exekutivorganen, zum Risikomanagement, zur Corporate Governance sowie zu den Vergütungen im Jahr 2012. Er ist auf Englisch, Deutsch und Französisch erhältlich (der Abschnitt Finanzen ist nur in englischer Sprache erhältlich).

www.zurich.com
Pdf-Dateien von beiden Berichten können unter www.zurich.com heruntergeladen werden. Weitere Informationen zum Thema Risikomanagement finden Sie unter www.zurich.com/insight.

Kontakt

Für weitere Informationen wenden Sie sich bitte an die zuständige Kontaktstelle oder besuchen Sie unsere Webseite unter www.zurich.com.

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American Depositary Receipts (ADRs)
Zurich Insurance Group AG verfügt über ein ADR-Programm mit The Bank of New York Mellon (BNY). Nähere Auskünfte zu einem ADR-Konto erteilt der Shareowner Service von BNY Mellon in den USA unter +1-888-BNY-ADRS, ausserhalb der USA unter +1-201-680-6825, oder via E-Mail an shrrelations@bnymellon.com. Allgemeine Informationen zum ADR-Programm des Unternehmens sind bei The Bank of New York Mellon unter www.adrbnymellon.com erhältlich.

Glossary

Group

Book value per share
is a measure that is calculated by dividing common shareholders' equity by the number of shares issued less the number of treasury shares.

Business operating profit (BOP)
is a measure that is the basis on which the Group manages all its business units. It indicates the underlying performance of the Group's business units by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains on investments and impairments (except for the capital markets and property lending/banking operations included in Non-Core Businesses, investments in hedge funds, certain securities held for specific economic hedging purposes, and policyholders' share of investment results for the life businesses), non-operational foreign exchange movements, and significant items arising from special circumstances, including restructuring charges for litigation outside the ordinary course of business and gains and losses on divestments of businesses. **Business operating profit before interest, depreciation and amortization (BOPBIDA)** is BOP before interest expense on debt, depreciation of property and equipment and amortization and impairment of goodwill and other intangibles, but including amortization of DAC and DOC. **Adjusted business operating profit** is adjusted for notional investment income on the difference between the average actual International Financial Reporting Standards (IFRS) equity and the average allocated IFRS equity using one global swap rate. Allocated IFRS equity is equal to a segment's share of the Group's total IFRS equity allocated based on the segment's proportion of the Group's total risk-based capital (RBC) at each period end.

Business operating profit (after-tax) return on common shareholders' equity
indicates the level of business operating profit or loss relative to resources provided by common shareholders. It is calculated as business operating profit or loss, annualized on a linear basis and adjusted for preferred shareholder dividends and taxes, divided by the average value of common shareholders' equity on a simple basis using the value at the beginning and end of the period.

Investments
Total investments in the consolidated balance sheets includes Group investments and investments for unit-linked products. **Group investments** are those for which the Group bears part or all of the investment risk. They also include investments related to investment contracts with discretionary participation features. Average invested assets exclude cash collateral received for securities lending. The Group manages its diversified investments portfolio to optimize benefits for both shareholders and policyholders while ensuring compliance with local regulatory and business requirements under the guidance of the Group's Asset/Liability Management and Investment Committee. **Investments for unit-linked products** include such investments where the policyholder bears the investment risk, and are held for liabilities related to unit-linked investment contracts and reserves for unit-linked insurance contracts. They are managed in accordance with the investment objectives of each unit-linked fund. The investment result for unit-linked products is passed to policyholders through a charge to policyholder dividends and participation in profits.

Return on common shareholders' equity (ROE)
is a measure that indicates the level of profit or loss relative to resources provided by common shareholders. It is calculated as net income after taxes attributable to common shareholders, annualized on a linear basis, divided by the average value of common shareholders' equity on a simple basis using the value at the beginning and end of the period.

General Insurance

The following General Insurance measures are net of reinsurance.

Net underwriting result
is calculated as the difference between earned premiums and policy fees and the sum of insurance benefits and losses and net technical expenses.

Total net technical expenses
includes underwriting and policy acquisition costs, as well as the technical elements of administrative and other operating expenses, amortization of intangible assets, interest credited to policyholders and other interest, and other income.

Combined ratio
is a performance measure that indicates the level of claims and net technical expenses during the period relative to earned premiums and policy fees. It is calculated as earned premiums and policy fees minus the net underwriting result, divided by net earned premiums and policy fees.

Loss ratio
is a performance measure that indicates the level of claims during the period relative to earned premiums and policy fees. It is calculated as insurance benefits and losses, which include paid claims, claims incurred but not reported (IBNR) and claims handling costs, divided by earned premiums and policy fees.

Expense ratio
is a performance measure that indicates the level of technical expenses during the period relative to earned premiums and policy fees. It is calculated as the sum of net technical expenses and policyholder dividends and participation in profits, divided by earned premiums and policy fees.

Net non-technical result
includes the non-technical elements of administrative and other operating expenses, amortization of intangible assets, interest credited to policyholders and other interest, other income, as well as net gains and losses on divestments of businesses and interest expense on debt.

Global Life

Embedded value (EV) principles
is a methodology using a "bottom-up" market consistent approach, which explicitly allows for market risk. In particular, asset and liability cash flows are valued using risk discount rates consistent with those applied to similar cash flows in the capital markets. A liquidity premium, which increases risk discount rates, has been applied to certain lines of business consistent with the CFO Forum principles. Options and guarantees are valued using market consistent models calibrated to observable market prices.

Insurance deposits
are deposits, similar to customer account balances, not recorded as revenues. However, the fees charged on insurance deposits are recorded as revenue within the gross written premiums and policy fees line item within the consolidated income statement. These deposits arise from investment contracts and insurance contracts that are accounted for under deposit accounting. They represent the pure savings part, which is invested.

New business annual premium equivalent (APE)
is calculated as new business annual premiums plus 10 percent of single premiums. **Present value of new business premiums (PVNBP)** is calculated as the value of new business premiums discounted at the risk-free rate.

New business value, after tax
is a measure that reflects the value added by new business written during the period, including allowing for frictional costs, time value of options and guarantees, and the cost of non-market risk, and is valued at the point of sale. It is calculated as the present value of the projected after-tax profit from life insurance contracts sold during the period using a valuation methodology consistent with the EV principles.

Profit by source
is the analysis of the Global Life BOP into components in a consistent and intuitive way to show profit sources. The net expense margin includes fund and non-fund based fees, policy acquisition costs, maintenance expenses and surrender charges. The net risk margin shows the mortality, morbidity, and longevity premiums less benefits to the policyholder together with the reinsurance result. The investment margin is the spread between investment income and interest credited to the policyholder plus the return on free surplus. All margins are net of any related policyholder bonuses. **BOP before deferrals** is a measure of profit excluding i) the net effect of deferral and amortization of policy acquisition costs and front-end fees, which may be affected by movements in financial markets and changes in assumptions; ii) interest expense on debt, depreciation of property and equipment, amortization and impairment of goodwill and other intangibles; and iii) special operating items. **Special operating items** are material non-recurring items that could lead to distortions in underlying margins and trends.

Farmers

Gross management result
is a performance measure of Farmers Management Services calculated as management fees and other related revenues minus management and other related expenses, which include amortization and impairments of intangible assets.

Managed gross earned premium margin
is a performance measure calculated as gross operating profit of Farmers Management Services divided by the gross earned premiums of the Farmers Exchanges, which are managed but not owned by Farmers Group, Inc. a wholly owned subsidiary of the Group.

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Sämtliche Verweise auf «Farmers Exchanges» beziehen sich auf Farmers Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange sowie deren Tochtergesellschaften und verbundenen Unternehmen. Die drei Exchanges sind genossenschaftlich organisierte Versicherungen mit Sitz in Kalifornien. Sie sind Eigentum ihrer Versicherungsnehmer und stehen unter der Oberleitung ihrer Boards of Governors. Farmers Group, Inc. und ihre Tochtergesellschaften sind Bevollmächtigte der Farmers Exchanges und erbringen in dieser Funktion bestimmte nicht-schadenabwicklungsbezogene administrative und Managementdienstleistungen für die Farmers Exchanges. Weder Farmers Group, Inc. noch ihre Muttergesellschaften Zürich Versicherungs-Gesellschaft AG und Zurich Insurance Group AG sind an den Farmers Exchanges beteiligt. Finanzinformationen zu den Farmers Exchanges sind Eigentum der Farmers Exchanges, werden aber zur Verfügung gestellt, um ein besseres Verständnis für die Leistung von Farmers Group, Inc. und Farmers Reinsurance Company zu vermitteln.

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Personen, die hinsichtlich einer Anlage im Zweifel sind, sollten sich an einen unabhängigen Finanzberater wenden.

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