

# Consolidated Financial Statements (unaudited)

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## Consolidated income statements (unaudited)

In USD millions	Notes	2009	2008	2009	2008
		For the three months ended June 30	For the three months ended June 30	For the six months ended June 30	For the six months ended June 30
Revenues					
Gross written premiums and policy fees		13,184	12,345	27,426	26,695
Less premiums ceded to reinsurers		(1,639)	(1,961)	(3,095)	(3,392)
Net written premiums and policy fees		11,544	10,385	24,331	23,303
Net change in reserves for unearned premiums		(347)	402	(1,853)	(1,541)
Net earned premiums and policy fees		11,198	10,786	22,478	21,762
Farmers management fees and other related revenues		624	607	1,247	1,196
Net investment result on Group investments	3	1,619	1,803	2,435	3,975
Net investment income on Group investments		1,933	2,239	3,777	4,402
Net capital gains/(losses) and impairments on Group investments		(314)	(437)	(1,342)	(426)
Net investment result on unit-linked investments	3	4,226	(396)	923	(9,404)
Net gain/(loss) on divestments of businesses	2	–	5	(4)	4
Other income		380	549	754	1,013
<b>Total revenues</b>		<b>18,047</b>	<b>13,354</b>	<b>27,832</b>	<b>18,547</b>
Benefits, losses and expenses					
Insurance benefits and losses, gross of reinsurance <sup>1</sup>	6	9,092	1,044	18,927	10,158
Less ceded insurance benefits and losses <sup>1</sup>	6	(766)	7,079	(1,560)	6,103
Insurance benefits and losses, net of reinsurance	6	8,326	8,123	17,367	16,261
Policyholder dividends and participation in profits, net of reinsurance	6	4,418	(527)	1,189	(8,715)
Underwriting and policy acquisition costs, net of reinsurance		2,018	2,062	4,036	4,082
Administrative and other operating expense		1,735	1,776	3,225	3,208
Interest expense on debt	10	141	150	275	302
Interest credited to policyholders and other interest		122	220	244	440
<b>Total benefits, losses and expenses</b>		<b>16,760</b>	<b>11,804</b>	<b>26,336</b>	<b>15,579</b>
<b>Net income before income taxes</b>		<b>1,287</b>	<b>1,550</b>	<b>1,496</b>	<b>2,968</b>
Income tax expense	9	(400)	(237)	(242)	(219)
attributable to policyholders	9	(104)	120	170	604
attributable to shareholders	9	(295)	(357)	(411)	(823)
<b>Net income after taxes</b>		<b>887</b>	<b>1,314</b>	<b>1,255</b>	<b>2,749</b>
attributable to non-controlling interests		(5)	60	1	69
attributable to shareholders		892	1,254	1,254	2,681
in USD					
Basic earnings per share	11	6.22	9.00	8.89	19.15
Diluted earnings per share	11	6.18	8.92	8.82	18.99
in CHF					
Basic earnings per share	11	7.03	9.44	10.03	20.11
Diluted earnings per share	11	6.98	9.36	9.96	19.94

<sup>1</sup> Effective June 30, 2008, the underlying contracts relating to a UK annuity portfolio reinsured in 2007 were transferred to the reinsurer. This transaction had no net impact on the consolidated income statement in 2008, but impacted each of these line items by USD 7.0 billion.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

## Consolidated statements of comprehensive income (unaudited)

in USD millions, for the six months ended June 30

	Net income attributable to shareholders	Net unrealized gains/(losses) on available- for-sale investments
<b>2008</b>		
Comprehensive income for the period	2,681	(2,407)
Details of movements during the period		
Change (before reclassification, tax and currency translation effects and after allocation to policyholders)		(3,183)
Reclassification to income statement (before tax and currency translation effects and after allocation to policyholders)		200
Deferred income tax (before currency translation effects)		625
Foreign currency translation effects		(49)
<b>2009</b>		
Comprehensive income for the period	1,254	629
Details of movements during the period		
Change (before reclassification, tax and currency translation effects and after allocation to policyholders)		220
Reclassification to income statement (before tax and currency translation effects and after allocation to policyholders)		751
Deferred income tax (before currency translation effects)		(286)
Foreign currency translation effects		(56)

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

	Cash flow hedges	Cumulative translation adjustment	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Comprehensive income attributable to non-controlling interests	Total comprehensive income
	(23)	344	19	(52)	(2,118)	562	68	630
	72	386	24	(52)	(2,753)			
	(89)	(42)	–	–	69			
	9	–	(5)	15	643			
	(15)	–	–	(14)	(78)			
	(22)	889	(1)	571	2,067	3,321	18	3,339
	37	889	–	756	1,902			
	(52)	–	–	–	699			
	(8)	–	(1)	(191)	(486)			
	1	–	–	7	(48)			

## Consolidated statements of comprehensive income (unaudited)

in USD millions, for the three months ended June 30

	Net income attributable to shareholders	Net unrealized gains/(losses) on available- for-sale investments
<b>2008</b>		
Comprehensive income for the period	1,254	(1,643)
Details of movements during the period		
Change (before reclassification, tax and currency translation effects and after allocation to policyholders)		(2,088)
Reclassification to income statement (before tax and currency translation effects and after allocation to policyholders)		91
Deferred income tax (before currency translation effects)		384
Foreign currency translation effects		(29)
<b>2009</b>		
Comprehensive income for the period	892	1,318
Details of movements during the period		
Change (before reclassification, tax and currency translation effects and after allocation to policyholders)		1,732
Reclassification to income statement (before tax and currency translation effects and after allocation to policyholders)		163
Deferred income tax (before currency translation effects)		(458)
Foreign currency translation effects		(119)

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

	Cash flow hedges	Cumulative translation adjustment	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Comprehensive income attributable to non-controlling interests	Total comprehensive income
	–	159	3	75	(1,404)	(150)	55	(95)
	(8)	159	3	84	(1,849)			
	3	–	–	–	94			
	1	–	–	(18)	366			
	4	–	–	9	(16)			
	(29)	1,119	(1)	(118)	2,290	3,182	95	3,277
	77	1,119	–	(115)	2,813			
	(104)	–	–	–	59			
	1	–	(1)	41	(416)			
	(2)	–	–	(44)	(165)			

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

## Consolidated balance sheets (unaudited)

Assets	in USD millions, as of	Notes	06/30/09	12/31/08	12/31/07
	<b>Investments</b>				
	Total Group investments		190,598	179,570	193,600
	Cash and cash equivalents		15,554	12,428	14,111
	Equity securities		13,807	14,303	20,496
	Debt securities		126,053	118,287	125,535
	Real estate held for investment		7,427	7,524	7,563
	Mortgage loans		12,826	12,820	12,718
	Other loans		14,704	13,988	12,941
	Investments in associates		227	220	238
	Investments for unit-linked contracts		84,874	78,203	122,092
	<b>Total investments</b>	3	<b>275,472</b>	<b>257,773</b>	<b>315,693</b>
	Reinsurers' share of reserves for insurance contracts <sup>1</sup>	4	19,229	18,595	26,970
	Deposits made under assumed reinsurance contracts		3,006	2,397	1,359
	Deferred policy acquisition costs	7	15,509	14,323	14,941
	Deferred origination costs	7	825	770	1,003
	Accrued investment income		2,448	2,429	2,593
	Receivables		14,170	13,229	12,846
	Other assets		3,708	4,095	3,405
	Mortgage loans given as collateral		1,218	1,233	2,243
	Deferred tax assets		2,536	2,901	1,682
	Assets held for sale		64	–	–
	Property and equipment		1,857	1,889	1,972
	Goodwill	8	1,802	1,677	1,553
	Other intangible assets	8	6,914	6,633	3,083
	<b>Total assets</b>		<b>348,760</b>	<b>327,944</b>	<b>389,342</b>

<sup>1</sup> Effective June 30, 2008, the underlying contracts relating to a UK annuity portfolio ceded in 2007 for an amount of USD 7.1 billion were transferred to the reinsurer, resulting in a reduction of reinsurers' share of reserves for insurance contracts.

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	06/30/09	12/31/08	12/31/07
<b>Liabilities</b>				
Reserve for premium refunds		636	620	625
Liabilities for investment contracts	5	39,067	35,979	54,485
Deposits received under ceded reinsurance contracts		1,633	1,619	1,739
Deferred front-end fees		5,250	4,695	5,791
Reserves for insurance contracts <sup>1</sup>	4	231,755	222,179	252,740
Obligations to repurchase securities		4,083	3,608	5,370
Accrued liabilities		2,540	2,820	2,755
Other liabilities		19,863	16,944	20,257
Collateralized loans		1,218	1,233	2,243
Deferred tax liabilities		3,432	3,485	4,057
Debt related to capital markets and banking activities	10	1,885	2,527	1,663
Senior and subordinated debt	10	10,456	8,455	8,300
<b>Total liabilities</b>		<b>321,818</b>	<b>304,163</b>	<b>360,023</b>
<b>Equity</b>				
Share capital		10	10	10
Additional paid-in capital		11,079	10,131	10,289
Net unrealized gains/(losses) on available-for-sale investments		(2,328)	(2,957)	202
Cash flow hedges		(38)	(16)	(103)
Cumulative translation adjustment		(451)	(1,341)	1,385
Revaluation reserve		98	99	83
Retained earnings		16,279	15,616	16,406
<b>Common shareholders' equity</b>		<b>24,650</b>	<b>21,542</b>	<b>28,273</b>
Preferred securities		561	561	671
<b>Shareholders' equity</b>		<b>25,211</b>	<b>22,103</b>	<b>28,945</b>
Non-controlling interests		1,731	1,678	374
<b>Total equity</b>		<b>26,942</b>	<b>23,781</b>	<b>29,318</b>
<b>Total liabilities and equity</b>		<b>348,760</b>	<b>327,944</b>	<b>389,342</b>

<sup>1</sup> Effective June 30, 2008, the underlying contracts relating to a UK annuity portfolio ceded in 2007 for an amount of USD 7.1 billion were transferred to the reinsurer, resulting in a reduction of reserves for insurance contracts.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

## Consolidated statements of cash flows (unaudited)

in USD millions, for the six months ended June 30	2009	2008
<b>Cash flows from operating activities</b>		
Net income attributable to shareholders	1,254	2,681
Adjustments for:		
Net (gain)/loss on divestments of businesses	4	(4)
Share of equity in income from investments in associates	3	(4)
Depreciation, amortization and impairments of fixed and intangible assets	356	279
Other non-cash items	(233)	1,151
Underwriting activities:	1,992	(9,849)
<i>Reserves for insurance contracts, gross<sup>1</sup></i>	3,409	(12,208)
<i>Reinsurers' share of reserves for insurance contracts<sup>1</sup></i>	(181)	7,664
<i>Liabilities for investment contracts</i>	(100)	(4,580)
<i>Deferred policy acquisition costs</i>	(562)	(558)
<i>Deferred origination costs</i>	20	(1)
<i>Deposits made under assumed reinsurance contracts</i>	(614)	58
<i>Deposits received under ceded reinsurance contracts</i>	19	(224)
Investments:	(4,739)	15,232
<i>Net capital (gain)/loss on investments and impairments</i>	1,230	11,877
<i>Net change in trading securities</i>	138	(429)
<i>Sales and maturities</i>		
<i>Debt securities</i>	38,390	43,173
<i>Equity securities</i>	22,252	37,432
<i>Other</i>	20,605	14,629
<i>Purchases</i>		
<i>Debt securities</i>	(43,754)	(41,830)
<i>Equity securities</i>	(22,257)	(34,657)
<i>Other</i>	(21,344)	(14,964)
Proceeds from sale and repurchase agreements	21	(284)
Movements in receivables and payables	3,602	(1,086)
Net changes in debt for capital markets and banking activities	(733)	313
Net changes in other operational assets and liabilities	(114)	(1,776)
Deferred income tax, net	49	(151)
<b>Net cash (used in)/provided by operating activities</b>	<b>1,461</b>	<b>6,502</b>

<sup>1</sup> Effective June 30, 2008, the underlying contracts relating to a UK annuity portfolio ceded in 2007 for an amount of USD 7.1 billion were transferred to the reinsurer, resulting in a reduction of both the reinsurer's share of reserves for insurance contracts and gross reserves for insurance contracts.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

in USD millions, for the six months ended June 30	2009	2008
<b>Cash flows from investing activities</b>		
Sales of property and equipment	42	227
Purchase of property and equipment	(145)	(236)
Investments in associates, net	3	12
Acquisitions of companies, net of cash acquired	–	(316)
Divestments of companies, net of cash balances	(10)	5
Dividends from associates	–	1
<b>Net cash used in investing activities</b>	<b>(111)</b>	<b>(307)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(1,413)	(2,092)
Issuance of Share Capital	910	–
Net movement in treasury shares	340	(441)
Redemption of preferred securities and repayments to non-controlling interests	–	(124)
Issuance of debt	2,159	159
Repayments of debt outstanding	(347)	(217)
<b>Net cash from (used in) financing activities</b>	<b>1,649</b>	<b>(2,714)</b>
Foreign currency translation effects on cash and cash equivalents	678	608
Change in cash and cash equivalents excluding change in cash held as collateral for securities lending <sup>1</sup>	3,678	4,089
Cash and cash equivalents as of January 1, excluding cash held as collateral for securities lending	16,711	15,251
<b>Cash and cash equivalents as of June 30, excluding cash held as collateral for securities lending</b>	<b>20,389</b>	<b>19,340</b>
Change in cash held as collateral for securities lending	216	(699)
Cash and cash equivalents as of January 1, including cash held as collateral for securities lending	16,888	17,128
<b>Cash and cash equivalents as of June 30, including cash held as collateral for securities lending</b>	<b>20,782</b>	<b>20,517</b>
of which:		
– cash and cash equivalents – Group Investments	15,554	14,805
– cash and cash equivalents – unit linked	5,228	5,712
<b>Other supplementary cash flow disclosures</b>		
Other interest income received	3,704	4,540
Dividend income received	848	2,079
Other interest expense paid	(476)	(655)
Income tax paid	(451)	(902)

As of June 30, 2009 and 2008, cash and cash equivalents restricted as to use were USD 3,048 million and USD 1,474 million, respectively. Cash and cash equivalents held for the benefit of policyholders in connection with unit-linked products amounted to USD 5,228 million and USD 5,712 million as of June 30, 2009 and 2008, respectively.

Cash and cash equivalents	in USD millions, as of June 30	2009	2008
	Cash and cash equivalents comprise the following:		
	Cash at bank and in hand	8,666	5,894
	Cash equivalents	11,723	13,446
	Cash held as collateral for securities lending	393	1,177
	<b>Total</b>	<b>20,782</b>	<b>20,517</b>

## Consolidated statements of changes in equity (unaudited)

in USD millions	Share capital	Additional paid-in capital	Net unrealized gains/(losses) on available-for-sale investments
Balance as of December 31, 2007	10	10,289	202
Issuance of share capital	–	1	–
Dividends to shareholders	–	–	–
Redemption of preferred shares	–	(14)	–
Share-based payment transactions	–	(64)	–
Treasury share transactions	–	(54)	–
Total comprehensive income for the period, net of tax	–	–	(2,407)
<i>Net income</i>	–	–	–
<i>Net unrealized gains/(losses) on available-for-sale investments</i>	–	–	(2,407)
<i>Cash flow hedges</i>	–	–	–
<i>Cumulative translation adjustment</i>	–	–	–
<i>Revaluation reserve</i>	–	–	–
<i>Net actuarial gains/(losses) on pension plans</i>	–	–	–
Net changes in capitalization and non-controlling interests	–	–	–
Balance as of June 30, 2008	10	10,158	(2,205)
Balance as of December 31, 2008	10	10,131	(2,957)
Issuance of share capital <sup>1,2</sup>	–	910	–
Dividends to shareholders	–	–	–
Share-based payment transactions	–	(62)	–
Treasury share transactions <sup>3</sup>	–	100	–
Total comprehensive income for the period, net of tax	–	–	629
<i>Net income</i>	–	–	–
<i>Net unrealized gains/(losses) on available-for-sale investments</i>	–	–	629
<i>Cash flow hedges</i>	–	–	–
<i>Cumulative translation adjustment</i>	–	–	–
<i>Revaluation reserve</i>	–	–	–
<i>Net actuarial gains/(losses) on pension plans</i>	–	–	–
Net changes in capitalization and non-controlling interests	–	–	–
<b>Balance as of June 30, 2009</b>	<b>10</b>	<b>11,079</b>	<b>(2,328)</b>

<sup>1</sup> Includes all transaction costs amounting to USD 41 million deducted from the proceeds related to the issuance of USD 1.2 billion (CHF 1.3 billion) in capital through the accelerated book building transaction.

<sup>2</sup> The number of common shares issued as of June 30, 2009 was 147,349,860 (June 30, 2008: 142,121,026, December 31, 2008: 142,122,620, December 31, 2007: 145,546,820).

<sup>3</sup> The number of treasury shares deducted from equity amounted to 3,285,622 and 5,219,803 as of June 30, 2009 and December 31, 2008, respectively.

	Cash flow hedges	Cumulative translation adjustment	Revaluation reserve	Retained earnings	Common shareholders' equity	Preferred securities	Shareholders' equity	Non-controlling interests	Total equity
	(103)	1,385	83	16,406	28,273	671	28,945	374	29,318
	-	-	-	-	1	-	1	-	1
	-	-	-	(2,064)	(2,064)	(18)	(2,082)	(9)	(2,092)
	-	-	-	-	(14)	(110)	(124)	-	(124)
	-	-	-	-	(64)	-	(64)	-	(64)
	-	-	-	(387)	(441)	-	(441)	-	(441)
	(23)	344	19	2,611	544	18	562	68	630
	-	-	-	2,662	2,662	18	2,681		
	-	-	-	-	(2,407)	-	(2,407)		
	(23)	-	-	-	(23)	-	(23)		
	-	344	-	-	344	-	344		
	-	-	19	-	19	-	19		
	-	-	-	(52)	(52)	-	(52)		
	-	-	-	-	-	-	-	(60)	(60)
	(125)	1,728	102	16,567	26,235	561	26,796	372	27,168
	(16)	(1,341)	99	15,616	21,542	561	22,103	1,678	23,781
	-	-	-	-	910	-	910	-	910
	-	-	-	(1,389)	(1,389)	(12)	(1,401)	(12)	(1,413)
	-	-	-	-	(62)	-	(62)	-	(62)
	-	-	-	240	340	-	340	-	340
	(22)	889	(1)	1,813	3,309	12	3,321	18	3,339
	-	-	-	1,242	1,242	12	1,254		
	-	-	-	-	629	-	629		
	(22)	-	-	-	(22)	-	(22)		
	-	889	-	-	889	-	889		
	-	-	(1)	-	(1)	-	(1)		
	-	-	-	571	571	-	571		
	-	-	-	-	-	-	-	47	47
	<b>(38)</b>	<b>(451)</b>	<b>98</b>	<b>16,279</b>	<b>24,650</b>	<b>561</b>	<b>25,211</b>	<b>1,731</b>	<b>26,942</b>

## 1. Basis of presentation

### General information

The unaudited consolidated financial statements for the six months ended June 30, 2009, of Zurich Financial Services Ltd and its subsidiaries (the Group) have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used to prepare the unaudited financial statements comply with International Financial Reporting Standards (IFRS), and are consistent with those set out in the notes to the consolidated financial statements in the Financial Report 2008 of the Group except as outlined below.

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 as well as gains and losses on transfer of net assets, which are eliminated against equity.

The unaudited consolidated financial statements should be read in conjunction with the Group's Financial Report 2008.

Certain amounts recorded in the unaudited consolidated financial statements reflect estimates and assumptions made by management about insurance liability reserves, investment valuations, interest rates and other factors. Actual results may differ from the estimates and assumptions made. In addition, interim results are not necessarily indicative of full year results.

As part of our process to improve the presentation of the Group's consolidated financial statements, we have made certain changes regarding the presentation of "Other investments" in order to better reflect their nature and measurement basis. These changes in presentation have no effect on the previously reported net income or shareholders' equity. Comparative information has been amended to reflect this change.

"Short-term investments", previously reported under "Other investments" amounting to USD 2,307 million (out of which Group Investments represented USD 2,103 million) and USD 2,929 million (out of which Group Investments represented USD 1,944 million) as of December 31, 2008 and 2007, respectively, are now presented, depending on their nature and measurement basis, under "Cash equivalents", "Debt securities – Available-for-sale", "Debt securities – Fair value through profit and loss", "Debt securities – Trading" or "Other loans". Similarly, Group investments previously presented under "Other" within "Other investments" amounting to USD 61 million and USD 80 million as of December 31, 2008 and 2007, respectively, are now presented under "Equity securities – Trading". These changes in presentation are reflected in the consolidated balance sheets, consolidated statements of cash flows and notes 3 and 13.

As of December 31, 2008 an amount of USD 618 million previously reported under "Debt securities - Available-for-sale", is now presented under "Other loans" to better reflect the nature of the underlying investments.

USD 169 million and USD 177 million as of December 31, 2008 and 2007, respectively, previously presented under "Goodwill" but in substance comparable to distribution agreement intangible assets is now reported under "Other intangible assets". This is a change in presentation with no effect on the previously reported net income or shareholders' equity as the asset was fair valued as of year end 2008. Comparative amounts have been amended accordingly in the consolidated balance sheets and note 8.

The treatment of the elimination of intersegment transactions has been changed to eliminate gross up effects on certain intercompany clearing accounts. This change results in an increase/(decrease) on the intersegment revenue line for the six months ended June 30, 2008 as follows: USD 507 million in General Insurance, USD (2) million in Global Life, USD (15) million in Farmers, USD (419) million in Other Operating Businesses and USD (71) million in Non-Core Businesses. The change has no impact on either segmental Business Operating Profit (BOP) or net income of the Group.

All amounts in the unaudited consolidated financial statements are shown in USD millions, rounded to the nearest million unless otherwise stated with the consequence that the rounded amounts may not add to the rounded total in all cases.

The table below summarizes the principal exchange rates that have been used for translation purposes. Net gains on foreign currency transactions included in the unaudited consolidated income statements were USD 29 million and USD 85 million for the six months ended June 30, 2009 and 2008, respectively. Foreign currency exchange forward and swap gains and (losses) included in these amounts were USD 228 million and USD (416) million for the six months ended June 30, 2009 and 2008, respectively.

Principal exchange rates	USD per foreign currency unit	Balance sheets		Income statements and cash flows	
		06/30/09	12/31/08	06/30/09	06/30/08
		Euro	1.4018	1.3924	1.3326
Swiss franc	0.9199	0.9371	0.8857	0.9526	
British pound sterling	1.6444	1.4620	1.4915	1.9745	

#### Implementation of new accounting standards

The following new accounting standards or amendments to and interpretations of standards relevant to the Group have been implemented for the financial year beginning January 1, 2009 with no material impact on the Group's financial position or performance.

- IFRS 8 "Operating Segments": The segment disclosures reflect the implementation of this standard. Segment information is disclosed in the manner in which the business is managed. As a result, the Group has amended its segment structure and some reporting units have been allocated to a different reportable segment. Additionally, the Group now includes its internal performance measure, Business Operating Profit (BOP), in the segment disclosures. Comparative information has been amended accordingly. Further details on segments are provided in note 13.
- Amendment to IAS 23 "Borrowing Costs"
- Amendment to IAS 32 "Financial Instruments: Presentation" and to IAS 1 "Presentation of Financial Instruments – Puttable Financial Instruments and Obligations Arising on Liquidation"
- Amendment to IFRS 2 "Vesting Conditions and Cancellations"
- IFRIC 13 "Customer Loyalty Programmes"

## 2. Acquisitions and divestments

In the first quarter 2009, the Group completed the provisional purchase price allocation for the acquisition of 87.35 percent of Companhia de Seguros Minas Brasil (CSMB), a general insurer based in Brazil, and of 100 percent of Minas Brasil Seguradora Vida e Previdência S.A. (MBVP), a life insurer based in Brazil. These acquisitions from Banco Mercantil do Brasil S.A. (Banco Mercantil) and two private investors were completed on November 28, 2008. As part of this transaction, the Group entered into an exclusive distribution agreement with Banco Mercantil for both life and general insurance products. Total acquisition costs for CSMB, MBVP and the distribution agreement amounted to USD 123 million and, based on the provisional purchase price allocation, included net tangible assets acquired of USD 11 million and identifiable intangible assets, net of deferred tax, of USD 22 million, mainly relating to the distribution agreement with Banco Mercantil. The residual goodwill of USD 91 million represents expected synergies and growth opportunities from the bank distribution partnership and the expansion of other sales channels.

As of June 30, 2009, the purchase price allocation for CSMB and MBVP and the purchase price allocation following the acquisition of 50 percent stakes of Banco Sabadell S.A.'s life insurance, pension and general insurance operations, which the Group completed on September 18, 2008, were still provisional.

In the first quarter 2009, the Group sold all of its shares in Pafoong Insurance Company Ltd based in Hong Kong and in Constellation Reinsurance Company based in New York, recording a loss on disposal in aggregate of USD 4 million.



### 3. Investments

Table 3.1a

Investment result for total investments	in USD millions, for the six months ended June 30					
	Net investment income		Net capital gains/(losses) on investments and impairments		Investment result	
	2009	2008	2009	2008	2009	2008
Cash and cash equivalents	102	351	29	3	131	353
Equity securities	848	2,237	243	(10,856)	1,091	(8,620)
Debt securities	2,872	3,177	(655)	(916)	2,217	2,261
Real estate held for investment	387	458	(592)	(450)	(204)	8
Mortgage loans	280	331	(59)	(9)	221	323
Other loans	353	331	1	–	353	331
Investments in associates	(3)	4	–	(4)	(3)	–
Other investments <sup>1</sup>	69	127	(197)	356	(127)	484
Investment result, gross	4,909	7,016	(1,230)	(11,877)	3,679	(4,861)
Investment expenses	(321)	(568)	–	–	(321)	(568)
<b>Investment result, net</b>	<b>4,588</b>	<b>6,448</b>	<b>(1,230)</b>	<b>(11,877)</b>	<b>3,358</b>	<b>(5,429)</b>

<sup>1</sup> Including net capital gains/(losses) on derivative financial instruments of USD (164) million and USD 359 million for the six months ended June 30, 2009 and 2008, respectively, of which net capital gains/(losses) on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 10 million and USD (3) million for the six months ended June 30, 2009 and 2008, respectively.

Rental operating expenses for real estate held for investment included in investment expenses for total investments amounted to USD 66 million and USD 94 million for the six months ended June 30, 2009 and 2008, respectively.

Table 3.1b

Investment result for Group investments	in USD millions, for the six months ended June 30					
	Net investment income		Net capital gains/(losses) on investments and impairments		Investment result	
	2009	2008	2009	2008	2009	2008
Cash and cash equivalents	68	271	(1)	–	67	271
Equity securities	195	372	(499)	(241)	(304)	130
Debt securities	2,727	2,967	(569)	(579)	2,158	2,388
Real estate held for investment	224	251	(8)	22	216	273
Mortgage loans	280	331	(59)	(9)	221	323
Other loans	352	331	1	–	353	331
Investments in associates	(3)	4	–	(4)	(3)	–
Other investments <sup>1</sup>	41	12	(207)	383	(166)	395
Investment result, gross for Group investments	3,883	4,538	(1,342)	(426)	2,541	4,111
Investment expenses for Group investments	(107)	(136)	–	–	(107)	(136)
<b>Investment result, net for Group investments</b>	<b>3,777</b>	<b>4,402</b>	<b>(1,342)</b>	<b>(426)</b>	<b>2,435</b>	<b>3,975</b>

<sup>1</sup> Including net capital gains/(losses) on derivative financial instruments of USD (207) million and USD 382 million for the six months ended June 30, 2009 and 2008, respectively, of which net capital gains/(losses) on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 10 million and USD (3) million for the six months ended June 30, 2009 and 2008, respectively.

For the six months ended June 30, 2009 and 2008, respectively, impairment charges on Group investments included in net capital losses amounted to USD 738 million and USD 495 million, of which impairment charges on mortgage loans and other investments comprised USD 59 million and USD 9 million, respectively.

Table 3.1c

## Investment result for unit-linked contracts

in USD millions, for the six months ended June 30

	Net investment income		Net capital gains/(losses) on investments		Investment result	
	2009	2008	2009	2008	2009	2008
Cash and cash equivalents	34	80	30	3	64	83
Equity securities	654	1,865	742	(10,615)	1,396	(8,750)
Debt securities	146	210	(87)	(338)	59	(127)
Real estate held for investment	163	207	(583)	(473)	(420)	(266)
Other loans	–	–	–	(1)	–	–
Other investments <sup>1</sup>	29	116	10	(27)	39	89
<b>Investment result, gross for unit-linked contracts</b>	<b>1,026</b>	<b>2,478</b>	<b>112</b>	<b>(11,450)</b>	<b>1,138</b>	<b>(8,972)</b>
Investment expenses for unit-linked contracts	(215)	(432)	–	–	(215)	(432)
<b>Investment result, net unit-linked contracts</b>	<b>811</b>	<b>2,046</b>	<b>112</b>	<b>(11,450)</b>	<b>923</b>	<b>(9,404)</b>

<sup>1</sup> Including net capital gains/(losses) on derivative financial instruments of USD 43 million and USD (23) million for the six months ended June 30, 2009 and 2008, respectively.

Table 3.2

## Net capital gains, losses and impairments on equity and debt securities

in USD millions, for the six months ended June 30

	Equity securities		Debt securities		Total	
	2009	2008	2009	2008	2009	2008
Securities at fair value through profit or loss:	776	(10,590)	(275)	(698)	501	(11,288)
Net capital gains/(losses) on Group investments						
<i>Trading securities</i>	(10)	(15)	(4)	(32)	(14)	(48)
<i>Securities designated at fair value through profit or loss</i>	44	41	(185)	(328)	(141)	(288)
Net capital gains/(losses) for unit-linked contracts	742	(10,615)	(87)	(338)	655	(10,953)
Available-for-sale securities:	(533)	(267)	(360)	(157)	(893)	(424)
Realized capital gains on Group investments	116	255	436	196	552	451
Realized capital losses on Group investments	(258)	(206)	(528)	(247)	(786)	(453)
Impairments on Group investments	(392)	(315)	(268)	(106)	(659)	(421)
Held-to-maturity securities	–	–	(20)	(61)	(20)	(61)
<b>Total net capital gains/(losses) and impairments</b>	<b>243</b>	<b>(10,856)</b>	<b>(655)</b>	<b>(916)</b>	<b>(412)</b>	<b>(11,772)</b>

Details of total investments by category	as of	Total investments			
		06/30/09		12/31/08	
		USD millions	% of total	USD millions	% of total
Cash and cash equivalents		20,782	7.5	16,888	6.6
Equity securities:					
Fair value through profit or loss		70,951	25.8	65,150	25.3
<i>of which: trading</i>		1,118	0.4	1,419	0.6
<i>of which: trading equity portfolios in capital markets and banking activities</i>		675	0.2	786	0.3
Available-for-sale		8,964	3.3	9,307	3.6
Total equity securities		79,915	29.0	74,458	28.9
Debt securities:					
Fair value through profit or loss		17,273	6.3	16,801	6.5
<i>of which: trading</i>		59	0.0	186	0.1
Available-for-sale		113,116	41.1	105,752	41.0
Held-to-maturity		5,323	1.9	5,244	2.0
Total debt securities		135,712	49.3	127,797	49.6
Real estate held for investment		11,251	4.1	11,601	4.5
Mortgage loans		12,826	4.7	12,820	5.0
Other loans		14,761	5.4	13,990	5.4
Investments in associates		227	0.1	220	0.1
<b>Total investments</b>		<b>275,472</b>	<b>100.0</b>	<b>257,773</b>	<b>100.0</b>

Details of Group investments by category	as of	Group investments			
		06/30/09		12/31/08	
		USD millions	% of total	USD millions	% of total
Cash and cash equivalents		15,554	8.2	12,428	6.9
Equity securities:					
Fair value through profit or loss		4,843	2.5	4,996	2.8
<i>of which: trading</i>		1,118	0.6	1,419	0.8
<i>of which: trading equity portfolios in capital markets and banking activities</i>		675	0.4	786	0.4
Available-for-sale		8,964	4.7	9,307	5.2
Total equity securities		13,807	7.2	14,303	8.0
Debt securities:					
Fair value through profit or loss		7,614	4.0	7,291	4.1
<i>of which: trading</i>		59	0.0	186	0.1
Available-for-sale		113,116	59.3	105,752	58.9
Held-to-maturity		5,323	2.8	5,244	2.9
Total debt securities		126,053	66.1	118,287	65.9
Real estate held for investment		7,427	3.9	7,524	4.2
Mortgage loans		12,826	6.7	12,820	7.1
Other loans		14,704	7.7	13,988	7.8
Investments in associates		227	0.1	220	0.1
<b>Total Group investments</b>		<b>190,598</b>	<b>100.0</b>	<b>179,570</b>	<b>100.0</b>

Cash and investments with a carrying value of USD 5,057 million and USD 5,235 million were deposited with regulatory authorities as of June 30, 2009 and December 31, 2008, respectively.

### Securities under security lending and short-term sale and repurchase agreements

As of June 30, 2009 and December 31, 2008, investments included USD 2,037 million and USD 2,917 million, respectively, of loaned securities. These loaned securities were mainly debt securities. Cash and cash equivalents included USD 393 million and USD 177 million of cash received as collateral for loaned securities as of June 30, 2009 and December 31, 2008, respectively. Liabilities for cash collateral received for securities lending comprised USD 408 million and USD 182 million as of June 30, 2009 and December 31, 2008, respectively. Non-cash collateral received for loaned securities comprised mainly equity and debt securities and amounted to USD 1,830 million and USD 3,274 million as of June 30, 2009 and December 31, 2008, respectively. The Group can sell or repledge the collateral only in the event of default by a counterparty.

As of June 30, 2009 and December 31, 2008, respectively, debt securities with a carrying value of USD 4,083 million and USD 3,608 million have been sold to financial institutions under short-term sale and repurchase agreements. These securities continue to be recognized as investments in the balance sheets. Obligations to repurchase these securities amounted to USD 4,083 million and USD 3,608 million as of June 30, 2009 and December 31, 2008, respectively. The Group retains the rights to the risks and rewards of ownership of loaned securities and securities under short-term sale and repurchase agreements. These risks and rewards include changes in market values and income earned.

Table 3.3c

Details of investments held for unit-linked contracts	as of	Investments for unit-linked contracts			
		06/30/09		12/31/08	
		USD millions	% of total	USD millions	% of total
Cash and cash equivalents		5,228	6.2	4,460	5.7
Equity securities		66,108	77.9	60,154	76.9
Debt securities		9,659	11.4	9,510	12.2
Real estate held for investment		3,824	4.5	4,077	5.2
Other loans		56	0.1	2	0.0
<b>Total investments for unit-linked contracts</b>		<b>84,874</b>	<b>100.0</b>	<b>78,203</b>	<b>100.0</b>

Investments held under unit-linked investments contracts are classified as designated at fair value through profit or loss.

Table 3.4

Net unrealized gains/(losses) on investments included in shareholders' equity	in USD millions, as of	Total	
		06/30/09	12/31/08
Equity securities: available-for-sale		(1,049)	(1,490)
Debt securities: available-for-sale		(2,619)	(2,791)
Other		(15)	(2)
Less: amount of net unrealized gains/(losses) on investments attributable to:			
Life policyholder dividends and other policyholder liabilities		513	236
Life deferred acquisition costs		247	256
Deferred income taxes		564	837
Non-controlling interests		(8)	(18)
<b>Total</b>		<b>(2,366)<sup>1</sup></b>	<b>(2,973)</b>

<sup>1</sup> Net unrealized gains/(losses) include net losses arising on cash flow hedges of USD (38) million and USD (16) million as of June 30, 2009 and December 31, 2008, respectively.

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

Reserves for insurance contracts	in USD millions, as of		06/30/09	12/31/08
	<b>Gross</b>			
Reserves for losses and loss adjustment expenses			66,672	65,218
Reserves for unearned premiums			19,055	16,399
Future life policyholders' benefits			77,547	76,218
Policyholders' contract deposits and other funds			17,141	17,047
Reserves for unit-linked contracts			51,341	47,297
<b>Total reserves for insurance contracts, gross</b>			<b>231,755</b>	<b>222,179</b>
<b>Ceded</b>				
Reserves for losses and loss adjustment expenses			(12,444)	(12,232)
Reserves for unearned premiums			(2,337)	(1,889)
Future life policyholders' benefits			(2,014)	(1,873)
Policyholders' contract deposits and other funds			(2,530)	(2,690)
Reinsurers' share of reserves for insurance contracts, ceded <sup>1</sup>			(19,324)	(18,684)
<b>Net</b>				
Reserves for losses and loss adjustment expenses			54,228	52,986
Reserves for unearned premiums			16,718	14,510
Future life policyholders' benefits			75,533	74,345
Policyholders' contract deposits and other funds			14,612	14,357
Reserves for unit-linked contracts			51,341	47,297
<b>Total reserves for insurance contracts, net</b>			<b>212,431</b>	<b>203,495</b>

<sup>1</sup> Gross of allowance for uncollectible amounts of USD 95 million and USD 89 million as of June 30, 2009 and December 31, 2008, respectively.

Development of reserves for losses and loss adjustment expenses	in USD millions		Gross		Ceded		Net	
	2009	2008	2009	2008	2009	2008		
As of January 1	65,218	67,890	(12,232)	(13,179)	52,986	54,712		
Losses and loss adjustment expenses incurred:								
Current year	13,267	13,715	(1,223)	(1,307)	12,045	12,408		
Prior years	(346)	(868)	(68)	281	(414)	(586)		
<b>Total</b>	<b>12,921</b>	<b>12,848</b>	<b>(1,291)</b>	<b>(1,026)</b>	<b>11,630</b>	<b>11,821</b>		
Losses and loss adjustment expenses paid:								
Current year	(3,797)	(3,525)	141	132	(3,656)	(3,393)		
Prior years	(9,235)	(8,922)	1,185	1,196	(8,050)	(7,725)		
<b>Total</b>	<b>(13,031)</b>	<b>(12,446)</b>	<b>1,326</b>	<b>1,328</b>	<b>(11,706)</b>	<b>(11,119)</b>		
Acquisitions/(divestments) of companies and businesses	94	30	1	(15)	95	15		
Foreign currency translation effects	1,470	1,476	(248)	(42)	1,222	1,434		
<b>As of June 30</b>	<b>66,672</b>	<b>69,798</b>	<b>(12,444)</b>	<b>(12,935)</b>	<b>54,228</b>	<b>56,863</b>		

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 4.2 shows the development of reserves for losses and loss adjustment expenses during the first half-year. As of June 30, 2009, net reserves for loss and loss adjustment expenses increased by USD 1.2 billion to USD 54.2 billion compared with December 31, 2008. This increase is almost entirely due to the effects of foreign currency translation. The development of reserves established in prior years was positive at USD 414 million emerging from a variety of regions and lines of business.

Table 4.3

Development of future life policyholders' benefits	in USD millions					
	Gross		Ceded		Net	
	2009	2008	2009	2008	2009	2008
As of January 1	76,218	80,147	(1,873)	(9,258)	74,345	70,889
Premiums and claims <sup>1</sup>	(891)	(9,354)	3	7,496	(888)	(1,859)
Interest and bonuses credited to policyholders	1,287	1,608	(35)	(232)	1,252	1,376
Change in assumptions	191	(545)	6	395	197	(150)
(Decrease)/increase recorded in shareholders' equity	(6)	(125)	–	5	(6)	(120)
Foreign currency translation effects	748	5,224	(115)	17	633	5,241
<b>As of June 30</b>	<b>77,547</b>	<b>76,955</b>	<b>(2,014)</b>	<b>(1,577)</b>	<b>75,533</b>	<b>75,377</b>

<sup>1</sup> Effective June 30, 2008, the underlying contracts relating to a UK annuity portfolio ceded in 2007 for an amount of USD 7.1 billion were transferred to the reinsurer, resulting in a reduction of gross and ceded future life policyholders' benefits.

Table 4.4

Policyholders' contract deposits and other funds gross	in USD millions, as of	
	06/30/09	12/31/08
Annuities	2,615	2,393
Universal life and other contracts	10,588	10,365
Policyholder dividends	3,939	4,289
<b>Total</b>	<b>17,141</b>	<b>17,047</b>

Table 4.5

Development of policyholders' contract deposits and other funds	in USD millions					
	Gross		Ceded		Net	
	2009	2008	2009	2008	2009	2008
As of January 1	17,047	18,687	(2,690)	(2,976)	14,357	15,711
Premiums and claims	(346)	(451)	210	169	(136)	(282)
Interest and bonuses credited to policyholders	294	492	(44)	(59)	249	434
Change in assumptions	–	(2)	–	1	–	–
Acquisitions/transfers	92	–	–	–	92	–
(Decrease)/increase recorded in shareholders' equity	(259)	(1,081)	–	4	(259)	(1,077)
Foreign currency translation effects	314	644	(5)	(12)	309	632
<b>As of June 30</b>	<b>17,141</b>	<b>18,290</b>	<b>(2,530)</b>	<b>(2,873)</b>	<b>14,612</b>	<b>15,418</b>

Development of reserves for unit-linked contracts	in USD millions	Gross		Ceded		Net	
		2009	2008	2009	2008	2009	2008
		As of January 1	47,297	70,075	–	–	47,297
Premiums and claims	286	(1,147)	–	–	286	(1,147)	
Interest and bonuses credited/(charged) to policyholders	704	(4,827)	–	–	704	(4,827)	
Foreign currency translation effects	3,053	1,086	–	–	3,053	1,086	
<b>As of June 30</b>	<b>51,341</b>	<b>65,187</b>	<b>–</b>	<b>–</b>	<b>51,341</b>	<b>65,187</b>	

#### Guarantees arising from minimum death benefits (GMDB) and retirement income benefits (GRIB)

Certain products for which policyholders bear in full the credit and market risks associated with the underlying invested funds selected by them contain guarantees for which liabilities have been recorded for additional benefits and minimum guarantees. These arise primarily in the subsidiary Kemper Investors Life Insurance Company which has written variable annuity contracts that provide policyholders with certain guarantees related to minimum death and income benefits. The determination of these liabilities is based on models that involve a range of scenarios and assumptions, including those regarding expected market rates of return and volatility, contract surrender rates, annuitization elections and mortality experience. After 2001 the Group no longer issued new variable annuity contracts that provide policyholders with minimum death and retirement income benefit guarantees.

Information on guaranteed liabilities	in USD millions (except average attained age)	06/30/09	12/31/08
		Account balance for products with guarantee features as of	
	Gross	1,721	1,966
	Ceded	(175)	(187)
	<b>Net</b>	<b>1,546</b>	<b>1,778</b>
Amount at risk from minimum death benefits (GMDB) as of			
	Gross	1,559	1,744
	Ceded	(261)	(290)
	<b>Net</b>	<b>1,298</b>	<b>1,453</b>
<b>Average attained age of policyholders (in years)</b>		<b>64</b>	<b>64</b>

The net amount at risk is the present value of payouts exceeding the current policyholder account balance assuming the payout criteria in all policies would have been collectively triggered as of the balance sheet date. The net amount at risk is not the same as the fair value of these benefits, as it does not fully take into account the option value accruing to the policyholder. In determining the excess benefit reserve, the Group follows the guidance in the US Statement of Principle 03-1 "Accounting and Reporting by Insurance Enterprises for Certain Non-traditional Long-Duration Contracts and for Separate Accounts". Under this guidance the new reserve level is determined from expected policyholder benefits net of assessments, coupled with a loss adequacy test on the result taking into account policyholder behavior experience and current market conditions. Policyholder behavior assumptions are updated when statistically relevant changes in behavior have been observed. The liability for future life policyholder benefits net of reinsurance includes an excess benefit reserve of USD 790 million and USD 513 million as of June 30, 2009 and December 31, 2008, respectively, with a large part of the increase since December 31, 2008 addressing policyholders' behavior experienced in current market conditions.

## 5. Liabilities for investment contracts with and without discretionary participation features (DPF)

Table 5.1

Liabilities for investment contracts	Table 5.1		
	in USD millions, as of	06/30/09	12/31/08
	Liabilities related to unit-linked investment contracts	33,240	30,397
	Liabilities related to investment contracts (amortized cost)	161	122
	Liabilities related to investment contracts with DPF	5,665	5,461
	<b>Total</b>	<b>39,067</b>	<b>35,979</b>

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 derivatives. 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 discount rate is determined by the current market assessment of the time value of money and risk specific to the liability.

Table 5.2

Development of liabilities for investment contracts	Table 5.2		
	in USD millions	2009	2008
	As of January 1	35,979	54,485
	Premiums and claims	(385)	(462)
	Interest and bonuses charged/(credited) to policyholders	282	(4,117)
	Increase/(decrease) recorded in shareholders' equity	2	4
	Foreign currency translation effects	3,189	1,231
	<b>As of June 30</b>	<b>39,067</b>	<b>51,141</b>



## 6. Gross and ceded insurance revenues and expenses

Table 6.1

Insurance benefits and losses	in USD millions, for the six months ended June 30					
	Gross		Ceded		Net	
	2009	2008	2009	2008	2009	2008
Losses and loss adjustment expenses	12,921	12,848	(1,291)	(1,026)	11,630	11,821
Life insurance death and other benefits	5,386	5,620	(243)	(535)	5,143	5,085
Change in future life policyholders' benefits	620	(8,309)	(26)	7,664	594	(645)
<b>Total insurance benefits and losses<sup>1</sup></b>	<b>18,927</b>	<b>10,158</b>	<b>(1,560)</b>	<b>6,103</b>	<b>17,367</b>	<b>16,261</b>

<sup>1</sup> Effective June 30, 2008, the underlying contracts relating to a UK annuity portfolio reinsured in 2007 were transferred to the reinsurer. This transaction had no net impact on the consolidated income statement in 2008, but impacted both gross and ceded change in the future life policyholders' benefits in 2008.

Table 6.2

Policyholder dividends and participation in profits	in USD millions, for the six months ended June 30					
	Gross		Ceded		Net	
	2009	2008	2009	2008	2009	2008
Change in policyholders' contract deposits and other funds	175	293	(1)	47	174	340
Change in reserves for unit-linked products	673	(5,478)	–	–	673	(5,478)
Change in liabilities for investment contracts – unit-linked	301	(3,956)	–	–	301	(3,956)
Change in liabilities for investment contracts – other	61	60	–	–	61	60
Change in unit-linked liabilities related to UK capital gains tax	(21)	319	–	–	(21)	319
<b>Total policyholder dividends and participation in profits</b>	<b>1,190</b>	<b>(8,761)</b>	<b>(1)</b>	<b>47</b>	<b>1,189</b>	<b>(8,715)</b>

## 7. Deferred policy acquisition costs and deferred origination costs

Table 7.1

Development of deferred policy acquisition costs	General Insurance		Global Life		Other segments <sup>1</sup>		Total	
	in USD millions							
	2009	2008	2009	2008	2009	2008	2009	2008
As of January 1	3,247	3,306	10,768	11,571	308	65	14,323	14,941
Acquisition costs deferred and transfers	1,433	1,536	664	861	597	15	2,693	2,412
Amortization	(1,307)	(1,378)	(400)	(465)	(430)	(15)	(2,137)	(1,858)
Amortization charged/(credited) to shareholders' equity	–	–	3	310	(1)	(4)	3	306
Foreign currency translation effects	66	112	561	426	–	(2)	627	536
<b>As of June 30</b>	<b>3,439</b>	<b>3,575</b>	<b>11,596</b>	<b>12,703</b>	<b>474</b>	<b>58</b>	<b>15,509</b>	<b>16,337</b>

<sup>1</sup> Net of eliminations from intersegment transactions.

Table 7.2

Development of deferred origination costs	in USD millions	
	2009	2008
As of January 1	770	1,003
Origination costs deferred	31	66
Amortization	(53)	(63)
Foreign currency translation effects	76	12
<b>As of June 30</b>	<b>825</b>	<b>1,018</b>

## 8. Goodwill and other intangible assets

Table 8.1

Intangible assets –  
current period

in USD millions

	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets	Attorney-in-fact relationships	Total
Gross carrying value as of January 1, 2009	1,696	2,617	6,235	1,025	11,573
Less: accumulated amortization/impairments	(20)	(1,364)	(1,880)	–	(3,264)
Net carrying value as of January 1, 2009	1,677	1,252	4,355	1,025	8,310
Additions and transfers	91	5	452	–	547
Amortization	–	(14)	(225)	–	(239)
Amortization charged to shareholders' equity	–	(11)	–	–	(11)
Impairments	–	(2)	(8)	–	(10)
Foreign currency translation effects	35	25	59	–	119
<b>Net carrying value as of June 30, 2009</b>	<b>1,802</b>	<b>1,256</b>	<b>4,633</b> <sup>1</sup>	<b>1,025</b>	<b>8,716</b>
Plus: accumulated amortization/impairments	20	1,502	2,013	–	3,535
<b>Gross carrying value as of June 30, 2009</b>	<b>1,822</b>	<b>2,757</b>	<b>6,646</b>	<b>1,025</b>	<b>12,251</b>

<sup>1</sup> Other intangible assets include software of USD 1,323 million.

In 2008, the Group acquired 50 percent stakes in several insurance companies in Spain. The Group has management control of these entities which are therefore fully consolidated. As of June 30, 2009, USD 256 million of the present value of profits of acquired insurance contracts and USD 1,459 million of other intangible assets related to non-controlling interests. In comparison, as of December 31, 2008, USD 267 million of the present value of profits of acquired insurance contracts and USD 1,387 million of other intangible assets related to non-controlling interests.

Table 8.2

Intangible assets  
by segment –  
current period

in USD millions, as of June 30, 2009

	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets	Attorney-in-fact relationships	Total
General Insurance	982	–	1,357	–	2,339
Global Life	434	1,256	2,833	–	4,523
Farmers	382	–	227	1,025	1,633
Other Operating Businesses	5	–	215	–	220
<b>Net carrying value as of June 30, 2009</b>	<b>1,802</b>	<b>1,256</b>	<b>4,633</b>	<b>1,025</b>	<b>8,716</b>

Table 8.3

Intangible assets –  
prior period

	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets	Attorney-in-fact relationships	Total
Gross carrying value as of January 1, 2008	1,560	2,392	2,961	1,025	7,939
Less: accumulated amortization/impairments	(8)	(1,612)	(1,683)	–	(3,303)
Net carrying value as of January 1, 2008	1,553	780	1,278	1,025	4,636
Additions and transfers	251	–	325	–	576
Divestments and transfers	–	–	(20)	–	(20)
Amortization	–	(26)	(114)	–	(140)
Amortization charged to shareholders' equity	–	26	–	–	26
Impairments	–	(35)	–	–	(35)
Foreign currency translation effects	86	27	62	–	174
<b>Net carrying value as of June 30, 2008</b>	<b>1,889</b>	<b>772</b>	<b>1,531</b> <sup>1</sup>	<b>1,025</b>	<b>5,217</b>
Plus: accumulated amortization/impairments	8	1,673	1,797	–	3,478
<b>Gross carrying value as of June 30, 2008</b>	<b>1,897</b>	<b>2,445</b>	<b>3,328</b>	<b>1,025</b>	<b>8,695</b>

<sup>1</sup> Other intangible assets include software of USD 1,051 million.

Table 8.4

Intangible assets  
by segment –  
prior period

in USD millions, as of December 31, 2008

	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets	Attorney-in-fact relationships	Total
General Insurance	895	–	1,303	–	2,199
Global Life	395	1,252	2,672	–	4,320
Farmers	382	–	182	1,025	1,589
Other Operating Businesses	5	–	198	–	202
<b>Net carrying value as of December 31, 2008</b>	<b>1,677</b>	<b>1,252</b>	<b>4,355</b>	<b>1,025</b>	<b>8,310</b>

## 9. Income taxes

Table 9.1				
Income tax expense – current/deferred split	in USD millions, for the six months ended June 30		2009	2008
	Current		457	343
	Deferred		(216)	(124)
	<b>Total income tax expense</b>		<b>242</b>	<b>219</b>

Table 9.2				
Income tax expense – policyholder/shareholder attribution	in USD millions, for the six months ended June 30		2009	2008
	Total income tax expense attributable to policyholders		(170)	(604)
	Total income tax expense attributable to shareholders		411	823
	<b>Total income tax expense</b>		<b>242</b>	<b>219</b>

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.

Table 9.3						
Expected and actual income tax expense	in USD millions, for the six months ended June 30		Rate	2009	Rate	2008
	Net income before income taxes				1,496	
Less: income tax (expense)/benefit attributable to policyholders				170		604
Net income before income taxes attributable to shareholders				1,666		3,572
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate			22.0%	367	22.0%	786
Increase/(reduction) in taxes resulting from:						
<i>Tax rate differential in foreign jurisdictions</i>				(18)		26
<i>Tax exempt and lower taxed income</i>				(24)		(63)
<i>Non-deductible expenses</i>				49		43
<i>Tax losses previously unrecognized or no longer recognized</i>				65		(59)
<i>Prior year adjustments and other</i>				(28)		90
Actual income tax expense attributable to shareholders			24.7%	411	23.0%	823
Plus: income tax expense/(benefit) attributable to policyholders				(170)		(604)
<b>Actual income tax expense</b>			<b>16.2%</b>	<b>242</b>	<b>7.4%</b>	<b>219</b>

The table above 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.

## 10. Debt

Table 10.1

in USD millions, as of		06/30/09	12/31/08
<b>Debt</b>			
<b>Debt related to capital markets and banking activities</b>			
Zurich Capital Markets	Various debt instruments payable within 1 year	1,000	2,079
Zurich Financial Services Ltd			
EUB Holdings Limited	Various debt instruments payable within 1 year	885	447
Other	Various debt instruments payable in more than 1 year	–	1
<b>Debt related to capital markets and banking activities</b>		<b>1,885</b>	<b>2,527</b>
<b>Senior debt</b>			
Zurich Finance (USA), Inc.	3.50% CHF 300 bond, due November 2011 <sup>1</sup>	278	283
	4.50% EUR 1,000 bond, due September 2014 <sup>2</sup>	1,410	1,395
	4.875% EUR 800 bond, due April 2012	1,117	–
	6.50% EUR 600 bond, due October 2015 <sup>3</sup>	837	–
Kemper Corporation	Various debt instruments, due within 1 year	22	23
Zurich Insurance Company Ltd	3.875% CHF 1,000 bond, due July 2011	921	938
	3.75% CHF 500 bond, due September 2013	455	463
	Various debt instruments payable within 1 year	200	100
Other	Various debt instruments payable within 1 year	2	1
	Various debt instruments payable in more than 1 year	153	156
<b>Senior debt</b>		<b>5,394</b>	<b>3,358</b>
<b>Subordinated debt</b>			
Zurich Finance (UK) plc	6.625% GBP 450 bond, undated notes <sup>4</sup>	729	648
Zurich Finance (USA), Inc.	5.75% EUR 500 bond, due October 2023	691	687
	4.5% EUR 500 bond, due June 2025 <sup>5</sup>	709	691
ZFS Finance (USA) Trust I	Series I 6.15% USD 600 ECAPS, due December 2065	566	569
ZFS Finance (USA) Trust II	Series II 6.45% USD 700 ECAPS, due December 2065	672	672
ZFS Finance (USA) Trust III	Series III Floating Rate USD 400 ECAPS, due December 2065	263	318
ZFS Finance (USA) Trust IV	Series IV 5.875% USD 500 Trust Preferred Securities, due May 2062	455	498
ZFS Finance (USA) Trust V	Series V 6.5% USD 1,000 Trust Preferred Securities, due May 2067	954	994
Other	Various debt instruments payable in more than 1 year	23	21
<b>Subordinated debt</b>		<b>5,062</b>	<b>5,096</b>
<b>Total senior and subordinated debt</b>		<b>10,456</b>	<b>8,455</b>
<b>Total debt</b>		<b>12,341</b>	<b>10,981</b>

<sup>1</sup> The bond is economically hedged, but hedge accounting treatment has not been applied.

<sup>2</sup> The bond is part of a qualifying cash flow hedge (80% of the total) and fair value hedge (20% of the total).

<sup>3</sup> The bond is part of a qualifying cash flow hedge.

<sup>4</sup> 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.

<sup>5</sup> This bond is part of a qualifying fair value hedge.

None of the debt instruments listed above were in default as of June 30, 2009 and December 31, 2008.

#### Debt related to capital markets and banking activities

Debt related to capital markets and banking activities decreased from USD 2,527 million as of December 31, 2008 to USD 1,885 million as of June 30, 2009. This is due to a reduction of ZCM Holdings' debt by USD 1,079 million, largely due to their commercial paper repayments and a partially offsetting increase of USD 438 million in the level of corporate and institutional deposits held by our banking operations.

As of June 30, 2009, USD 448 million was lent by ZCM Holding to our banking operation. Together with EUB Holdings Limited USD 885 million was classified as operational debt.

#### Senior and subordinated debt

The Group's Euro Medium Term Note Programme (EMTN Programme) allows for the issuance of senior, subordinated and deeply subordinated notes up to a maximum of USD 10 billion. All issuances are either issued or guaranteed by Zurich Insurance Company Ltd.

##### i) Senior debt

Zurich Finance (USA), Inc. and Zurich Insurance Company Ltd, are issuing entities under the EMTN Programme and together have debt equivalent to USD 4.1 billion and USD 2.1 billion outstanding as of June 30, 2009 and December 31, 2008, respectively, of which EUR 1.4 billion (USD 1.9 billion) was issued in April 2009.

##### ii) Subordinated debt

Subordinated debt securities are obligations of the Group which, in case of liquidation, rank junior to all present and future senior indebtedness and certain other obligations of the Group.

Zurich Finance (USA), Inc. and Zurich Finance (UK) plc, are issuing entities under the EMTN Programme and together have debt equivalent to USD 2.1 billion and USD 2 billion outstanding as of June 30, 2009 and December 31, 2008, respectively.

On March 31, 2009 and on May 20, 2009, Zurich Holding Company of America (ZHCA), a subsidiary of the Group, repurchased USD 93 million and USD 50 million respectively of ECAPS and Trust Preferred Securities. These repurchases resulted in a total pre-tax gain of USD 74 million.

No new subordinated debt issuances took place during the six months ended June 30, 2009. For the issuance after the balance sheet date refer to note 14.

## Description and features of significant subordinated debt

Table 10.2

in USD millions		Call/ redemption date	Redemption conditions <sup>3</sup>
Description	Coupon conditions		
6.625% GBP 450 bond, undated notes	6.625% payable annually up to October 2, 2022 and then reset every 5 years to the reset rate of interest. <sup>1</sup>	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 bond, 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 quarterly at par plus any accrued interest.
4.5% EUR 500 bond, 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 quarterly at par plus any accrued interest.
Series I 6.15% Fixed/Adjustable Rate USD 600 ECAPS, due December 2065	6.15% payable semi-annually until December 15, 2010 and then reset quarterly to the adjustable rate plus 1.75%. <sup>2</sup>	Quarterly on or after December 15, 2010	Redeemable in whole or in part at par plus any accumulated and unpaid distributions.
Series II 6.45% Fixed/Adjustable Rate USD 700 ECAPS, due December 2065	6.45% payable semi-annually until June 15, 2016 and then reset quarterly to the adjustable rate plus 2.00%. <sup>2</sup>	Quarterly on or after June 15, 2016	Redeemable in whole or in part at par plus any accumulated and unpaid distributions.
Series III Floating Rate USD 400 ECAPS, due December 2065	3-month LIBOR plus 1.15% reset quarterly until December 15, 2010 and then 3-month LIBOR plus 2.15%.	Quarterly on or after December 15, 2010	Redeemable in whole or in part at par plus any accumulated and unpaid distributions.
Series IV 5.875% USD 500 Fixed/Floating Trust Preferred Securities, due May 2062	5.875% payable semi-annually until May 9, 2012 and then reset quarterly to 3-month LIBOR plus 1.815%.	Quarterly on or after May 9, 2012	Redeemable in whole or in part at par plus any accumulated and unpaid distributions.
Series V 6.5% USD 1,000 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 accumulated and unpaid distributions.

<sup>1</sup> Reset rate of interest is equal to the gross redemption yield on the benchmark five-year Gilt as determined by the Calculation Bank, plus 2.85% per annum.

<sup>2</sup> 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 13.25% Series I and 13% for Series II.



Maturity schedule of outstanding debt	in USD millions, as of	06/30/09		12/31/08	
		Carrying value	Undiscounted cash flow	Carrying value	Undiscounted cash flow
< 1 year		2,110	2,601	2,650	3,139
1 to 2 years		6	515	11	446
2 to 3 years		2,329	2,869	1,237	1,659
3 to 4 years		11	432	13	392
4 to 5 years		455	882	463	835
5 to 10 years		2,369	3,769	1,513	2,857
> 10 years		5,062	6,796	5,096	7,123
<b>Total</b>		<b>12,341</b>	<b>17,864</b>	<b>10,981</b>	<b>16,451</b>

Debt maturities shown in table 10.3 reflect original contractual dates without taking early redemption options into account. For call/redemption dates, refer to table 10.2. The total notional amount of debt due in each period is not materially different from the total carrying amount disclosed in table 10.3. Undiscounted cash flows include interest and principal cash flows on debt outstanding as of June 30, 2009 and December 31, 2008, respectively. All debt is assumed to mature within 20 years of the balance sheet date without refinancing and where the Group has the option to repay the debt, the option is assumed to expire. Floating rates of interest are assumed to remain constant as of June 30, 2009 and December 31, 2008, respectively going forward. The aggregated cash flows are translated into USD at the balance sheet date.

Interest expense on debt	in USD millions, for the six months ended June 30	2009	2008
		Debt related to capital markets and banking activities	43
Senior debt	86	71	
Subordinated debt	146	170	
<b>Total</b>		<b>275</b>	<b>302</b>

#### Interest expense on debt

Interest expense on debt decreased from USD 302 million to USD 275 million, primarily as a result of lower interest rates and foreign exchange fluctuations.

#### Credit facilities

The Group has access to a syndicated revolving credit facility of USD 3 billion that terminates in 2012. Zurich Group Holding, together with Zurich Insurance Company Ltd. and Farmers Group, Inc. are guarantors of the facility and can draw up to USD 1.25 billion, USD 1.5 billion and USD 250 million, respectively. No borrowings were outstanding under this facility as of June 30, 2009 and December 31, 2008.

Dunbar Bank and Zurich Bank have access to various committed credit facilities totaling GBP 385 million and GBP 205 million, respectively. As of June 30, 2009 and December 31, 2008, GBP 85 million and GBP 50 million, respectively, were drawn under these credit facilities.

In addition, Zurich Insurance Company Ltd. has access to a USD 300 million credit facility expiring in 2010 for the sole purpose of financing surplus notes issued by the Leschi Life Assurance Company (Leschi), a special purpose reinsurer owned by Farmers New World Life (FNWL) and to which FNWL cedes business subject to Regulation XXX (Triple X). As of June 30, 2009 and December 31, 2008, USD 200 million and USD 100 million, respectively, were drawn under this credit facility.

## Financial debt

Financial debt consists of all debt items that are included in financial leverage calculations of rating agencies. As of June 30, 2009 and December 31, 2008 financial debt consisted of the following components.

Table 10.5

Financial debt	in USD millions, as of	06/30/09	06/30/09	06/30/09	12/31/08
		Reported	Adjustments	Financial Debt	Financial Debt
Debt related to capital markets and banking activities		1,885	(1,333)	552	1,379
Senior debt		5,394	(300)	5,094	3,158
Subordinated debt		5,062	–	5,062	5,096
<b>Total</b>		<b>12,341</b>	<b>(1,633)</b>	<b>10,708</b>	<b>9,633</b>

The USD 1,333 million adjustment relates to USD 885 million of Zurich Financial Services EUB Holdings Limited notes and loans payable and USD 448 million issued by ZCM Holdings and then lent to our banking operation as described above, while the USD 300 million adjustment contains USD 100 million of non-recourse debt and USD 200 million drawn under the above mentioned Leschi credit facility.

## 11. Earnings per share

Table 11

Earnings per share	for the six months ended June 30	Net income	Weighted	Per share	Per share
		attributable to common shareholders (in USD millions)			
<b>2009</b>					
<b>Basic earnings per share</b>		<b>1,242</b>	<b>139,711,609</b>	<b>8.89</b>	<b>10.03</b>
Effect of potentially dilutive shares related to share-based compensation plans			1,010,896	(0.06)	(0.07)
<b>Diluted earnings per share</b>		<b>1,242</b>	<b>140,722,505</b>	<b>8.82</b>	<b>9.96</b>
<b>2008</b>					
<b>Basic earnings per share</b>		<b>2,662</b>	<b>139,019,260</b>	<b>19.15</b>	<b>20.11</b>
Effect of potentially dilutive shares related to share-based compensation plans			1,167,162	(0.16)	(0.17)
<b>Diluted earnings per share</b>		<b>2,662</b>	<b>140,186,422</b>	<b>18.99</b>	<b>19.94</b>

<sup>1</sup> 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 six months ended June 30, 2009 and 2008, respectively.

## Dividends

A gross dividend of CHF 11.00 per share was paid in April 2009 and recognized through shareholders' equity in the second quarter of 2009.

## 12. Litigation and regulatory investigations

The Group and its subsidiaries are continuously involved in legal proceedings, claims and litigation arising, for the most part, in the ordinary course of their business operations.

In 2006, the Group settled with various U.S. state attorneys general and state insurance regulators in connection with investigations in the U.S. concerning certain business practices involving insurance brokers and insurance companies. In July 2006, the Group also entered into a settlement agreement to resolve consolidated class-action litigation concerning those matters. Final judgment has been entered approving the settlement, but appeals are pending. A number of individual claims not covered by the class action settlement remain pending against the Group.

In addition, in December 2008, Zurich Financial Services (now Zurich Financial Services Ltd) entered into a settlement with the U.S. Securities and Exchange Commission (SEC) resolving the SEC's investigation of certain reinsurance transactions engaged in by the Group and its subsidiaries. The SEC was investigating Converium's (now Scor Holding (Switzerland) AG) February 28, 2006 restatement of its financial results for the years 1998 through 2004. In that context, the Staff of the SEC made inquiries of Zurich Financial Services and certain of its subsidiaries related to reinsurance contracts entered into before 2001. Zurich Financial Services agreed to pay a USD 25 million penalty and USD 1 in disgorgement to settle, without admitting or denying, charges that it had aided and abetted Converium's violations of Section 10(b) of the Exchange Act and Rule 10b-5. In light of the settlement with the SEC, and barring any future material developments, which we do not anticipate, this matter will no longer be reported.

Furthermore, Zurich Financial Services was a defendant in putative class-action securities lawsuits relating to its divestiture of its interest in Converium. On July 25, 2008, Zurich Financial Services and the class-action plaintiffs entered into an amended stipulation of settlement that calls for a payment of USD 28 million to settle the case in two parts on behalf of all persons and entities who purchased Converium securities between January 7, 2002 and September 2, 2004: one settlement in the U.S. court, covering all U.S. persons and entities, and all other persons who purchased Converium securities on U.S. markets, and another settlement in the Amsterdam Court of Appeal, in the Netherlands, covering all non-U.S. persons and entities who purchased Converium securities on the SWX Swiss Exchange (now SIX Swiss Exchange). The U.S. and Dutch settlements are both subject to court approval and are independent of each other. The U.S. court approved the U.S. settlement on December 12, 2008, but a notice of appeal was filed. The appeal, however, was dismissed by stipulation of the parties on June 25, 2009 and the U.S. settlement is now considered final. The proposed Dutch settlement has not yet been presented to the Dutch court.

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 would have a material adverse effect on the Group's consolidated financial condition. However, it is possible that the outcome of any proceedings could have a material impact on results of operations in the particular reporting period in which it is resolved.

## 13. Segment information

The Group 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** serves the property-casualty insurance needs of a wide range of customers, from individuals to small and medium-size businesses, commercial enterprises and major multinational corporations.

**Global Life** pursues a customer-focused strategy with market-leading propositions in unit-linked and protection products 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 the Group manages, but does not own, and to their customers. This segment also includes the Farmers Re business, which includes all reinsurance assumed from the Farmers Exchanges by the Group. Farmers Exchanges are prominent writers of personal lines and small commercial lines business in the U.S.

For the purpose of discussing our financial performance we consider General Insurance, Global Life and Farmers to be our core operating segments.

**Other Operating Businesses** predominantly consist of the Group's Headquarter and Holding & Financing activities. In addition, the Group's banking activities as well as certain alternative investment positions not allocated to core operating segments are carried in this segment.

**Non-Core Businesses** represent insurance businesses that the Group does not consider core operating and that are therefore mostly managed to achieve a beneficial run-off.

The structured alignment of the Group's segment information compared with 2008 necessitated the following major transfers between the old 2008 and the new 2009 segments:

- Farmers Re from the previously reported Other Businesses to Farmers
- Centre from the previously reported Other Businesses to Non-Core Businesses
- Centrally Managed Businesses from the previously reported Other Businesses to Non-Core Businesses
- Universal Underwriters Life Insurance Company from the previously reported Other Businesses to Global Life
- Banking activities from the previously reported Other Businesses to Other Operating Businesses

The Group also manages its business on a geographic structure. As a result of the realignment of the previous International Businesses region into a new regional structure, as of January 1, 2009, Southern Africa is part of an expanded Europe & Africa region, Latin America is part of an expanded Americas region and Asia-Pacific & Middle East forms a new stand-alone region. The Group's identified regions are as follows:

**Americas**

**Europe & Africa**

**Asia-Pacific & Middle East**

**Central Region**

To be consistent with the Group's geographic structure, the following major transfers between regions have been made for 2009 financial reporting:

- Reporting Units in Southern Africa from the previous International Businesses to Europe & Africa
- Reporting Units in Latin America from the previous International Businesses to Americas
- Universal Underwriters Life Insurance Company from Central Region to Americas

The 2008 segmental results have been restated to reflect these changes, with no impact on the Group's financial position or performance.

## Business operating profit by business segment

Table 13.1

in USD millions, for the six months ended June 30

	General Insurance		Global Life	
	2009	2008	2009	2008
<b>Revenues</b>				
Direct written premiums and policy fees	17,427	19,705	5,969	5,030
Assumed written premiums	820	888	54	50
Gross written premiums and policy fees	18,247	20,593	6,023	5,080
Less premiums ceded to reinsurers	(2,815)	(3,140)	(360)	(363)
Net written premiums and policy fees	15,432	17,453	5,663	4,717
Net change in reserves for unearned premiums	(1,201)	(1,565)	6	4
Net earned premiums and policy fees	14,231	15,889	5,669	4,721
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	1,584	1,910	1,819	1,890
Net investment income on Group investments	1,534	1,910	2,017	2,216
Net capital gains/(losses) and impairments on Group investments	50	–	(198)	(326)
Net investment result on unit-linked investments	–	–	826	(8,493)
Other income	341	382	390	680
<b>Total BOP revenues</b>	<b>16,156</b>	<b>18,181</b>	<b>8,704</b>	<b>(1,202)</b>
<i>of which: intersegment revenues</i>	<i>(169)</i>	<i>(226)</i>	<i>(112)</i>	<i>(81)</i>
<b>Benefits, losses and expenses</b>				
Insurance benefits and losses, net	10,047	11,206	5,211	4,156
Losses and loss adjustment expenses, net	10,030	11,171	23	22
Life insurance death and other benefits, net	17	34	4,770	4,799
(Decrease)/increase in future life policyholders' benefits, net	–	1	418	(665)
Policyholder dividends and participation in profits, net	6	12	1,081	(7,881)
Income tax expense/(benefit) attributable to policyholders	–	–	(170)	(604)
Underwriting and policy acquisition costs, net	2,595	2,881	784	976
Administrative and other operating expense (excl. depreciation/amortization)	1,612	1,589	771	952
Interest credited to policyholders and other interest	18	121	200	267
Restructuring provisions and other items not included in BOP	(45)	(85)	(19)	35
<b>Total BOP benefits, losses and expenses (before interest, depreciation and amortization)</b>	<b>14,233</b>	<b>15,723</b>	<b>7,858</b>	<b>(2,099)</b>
<b>Business operating profit (before interest, depreciation and amortization)</b>	<b>1,922</b>	<b>2,458</b>	<b>846</b>	<b>897</b>
Depreciation and impairments of property and equipment	32	28	16	22
Amortization and impairments of intangible assets	77	58	124	92
Interest expense on debt	99	119	48	9
Business operating profit before non-controlling interests	1,715	2,253	658	773
Non-controlling interests	1	16	17	1
<b>Business operating profit</b>	<b>1,714</b>	<b>2,236</b>	<b>641</b>	<b>772</b>
Supplementary information				
Additions and capital improvements to property, equipment and intangible assets	250	548	262	138

	Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	-	-	-	(6)	258	173	(3)	(6)	23,651	24,896
	2,883	836	70	93	70	66	(121)	(134)	3,775	1,799
	2,883	836	70	87	328	240	(124)	(140)	27,426	26,695
	-	-	(27)	(30)	(18)	1	124	140	(3,095)	(3,392)
	2,883	836	43	57	310	241	-	-	24,331	23,303
	(660)	(3)	1	2	2	21	-	-	(1,853)	(1,541)
	2,222	833	44	58	312	261	-	-	22,478	21,762
	1,247	1,196	-	-	-	-	-	-	1,247	1,196
	116	95	156	426	81	240	(427)	(533)	3,329	4,027
	116	95	297	415	240	300	(427)	(533)	3,777	4,402
	-	-	(141)	11	(159)	(60)	-	-	(448)	(375)
	-	-	-	-	97	(911)	-	-	923	(9,404)
	2	-	507	502	95	57	(580)	(608)	754	1,013
	3,587	2,124	707	987	585	(353)	(1,007)	(1,142)	28,730	18,595
	(45)	(53)	(631)	(704)	(49)	(78)	1,007	1,142	-	-
	1,559	599	(30)	32	580	267	-	-	17,367	16,261
	1,559	599	2	-	12	30	5	(1)	11,630	11,821
	-	-	41	58	314	193	1	1	5,143	5,085
	-	-	(72)	(26)	253	44	(6)	-	594	(645)
	-	-	-	-	102	(846)	-	-	1,189	(8,715)
	-	-	-	-	-	-	-	-	(170)	(604)
	656	225	-	-	4	2	(2)	(1)	4,036	4,082
	577	565	399	446	71	(38)	(553)	(593)	2,877	2,921
	-	-	5	19	29	42	(8)	(9)	244	440
	-	-	56	50	1	55	-	-	(7)	55
	2,792	1,389	429	547	787	(517)	(563)	(603)	25,536	14,441
	<b>795</b>	<b>735</b>	<b>277</b>	<b>439</b>	<b>(202)</b>	<b>164</b>	<b>(444)</b>	<b>(539)</b>	<b>3,194</b>	<b>4,154</b>
	33	32	17	17	1	1	-	-	99	100
	33	27	15	9	-	-	-	-	249	186
	5	5	509	638	59	71	(444)	(539)	275	302
	724	672	(264)	(224)	(262)	92	-	-	2,571	3,565
	-	-	-	(1)	-	-	-	-	19	16
	<b>724</b>	<b>672</b>	<b>(264)</b>	<b>(223)</b>	<b>(263)</b>	<b>92</b>	<b>-</b>	<b>-</b>	<b>2,552</b>	<b>3,549</b>
	151	90	40	37	1	1	-	-	703	813

Reconciliation of  
BOP to net income  
after income taxes

Table 13.2

in USD millions, for the six months ended June 30

	General Insurance		Global Life	
	2009	2008	2009	2008
<b>Business operating profit</b>	<b>1,714</b>	<b>2,236</b>	<b>641</b>	<b>772</b>
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	(460)	(116)	(288)	(119)
Net gain/(loss) on divestments of businesses	(2)	–	–	5
Restructuring provisions and other	(45)	(85)	(19)	35
Add back:				
Business operating profit attributable to non-controlling interests	1	16	17	1
<b>Net income before shareholders' taxes</b>	<b>1,209</b>	<b>2,051</b>	<b>351</b>	<b>693</b>
Income tax expense attributable to policyholders	–	–	(170)	(604)
<b>Net income before income taxes</b>	<b>1,209</b>	<b>2,051</b>	<b>181</b>	<b>89</b>
Income tax expense (attributable to policyholders and shareholders)				
<b>Net income after taxes</b>				



	Farmers		Other Operating Businesses		Non-Core Businesses		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	<b>724</b>	<b>672</b>	<b>(264)</b>	<b>(223)</b>	<b>(263)</b>	<b>92</b>	<b>2,552</b>	<b>3,549</b>
	(31)	2	(120)	179	6	3	(894)	(52)
	-	-	-	-	(3)	(1)	(4)	4
	-	-	56	50	1	55	(7)	55
	-	-	-	(1)	-	-	19	16
	<b>692</b>	<b>674</b>	<b>(328)</b>	<b>4</b>	<b>(258)</b>	<b>149</b>	<b>1,666</b>	<b>3,572</b>
	-	-	-	-	-	-	(170)	(604)
	<b>692</b>	<b>674</b>	<b>(328)</b>	<b>4</b>	<b>(258)</b>	<b>149</b>	<b>1,496</b>	<b>2,968</b>
							(242)	(219)
							<b>1,255</b>	<b>2,749</b>

## Assets and liabilities by business segment

Table 13.3

in USD millions, as of

	General Insurance		Global Life	
	06/30/09	12/31/08	06/30/09	12/31/08
<b>Assets</b>				
Total Group Investments	80,216	77,328	97,932	94,626
Cash and cash equivalents	9,751	9,703	5,517	5,130
Equity securities	5,876	5,966	4,814	4,816
Debt securities	57,305	53,578	59,249	56,256
Real estate held for investment	2,904	2,922	4,147	4,228
Mortgage loans	1,568	1,794	8,888	8,953
Other loans	2,784	3,340	15,201	15,131
Investments in associates	28	26	117	113
Investments for unit-linked contracts	–	–	72,978	65,977
<b>Total investments</b>	<b>80,216</b>	<b>77,328</b>	<b>170,911</b>	<b>160,604</b>
Reinsurers' share of reserves for insurance contracts	13,437	12,749	2,151	2,008
Deposits made under assumed reinsurance contracts	63	68	–	–
Deferred policy acquisition costs	3,439	3,247	11,596	10,768
Deferred origination costs	–	–	825	770
Goodwill	982	895	434	395
Other intangible assets	1,357	1,303	4,089	3,925
Other assets	16,431	16,119	6,940	6,835
<b>Total assets (after cons. of investments in subsidiaries)</b>	<b>115,925</b>	<b>111,710</b>	<b>196,946</b>	<b>185,304</b>
<b>Liabilities</b>				
Liabilities for investment contracts	–	–	39,318	36,230
Reserves for insurance contracts, gross	80,820	77,468	126,557	120,706
Reserves for losses and loss adjustment expenses, gross	62,779	61,396	34	18
Reserves for unearned premiums, gross	16,865	14,874	239	226
Future life policyholders' benefits, gross	95	95	73,894	72,782
Policyholders' contract deposits and other funds, gross	1,081	1,102	12,946	12,611
Reserves for unit-linked contracts, gross	–	–	39,444	35,069
Debt related to capital markets and banking activities	–	–	–	–
Senior debt	2,323	3,031	603	694
Subordinated debt	2,051	2,189	897	412
Other liabilities	16,025	14,680	16,745	15,399
<b>Total liabilities</b>	<b>101,219</b>	<b>97,368</b>	<b>184,119</b>	<b>173,441</b>
<b>Equity</b>				
Common shareholders' equity				
Preferred securities				
Shareholders' equity				
Non-controlling interests				
Total equity				
<b>Total liabilities and equity</b>				

	Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
	06/30/09	12/31/08	06/30/09	12/31/08	06/30/09	12/31/08	06/30/09	12/31/08	06/30/09	12/31/08
	6,017	3,607	19,840	17,956	12,164	13,103	(25,572)	(27,050)	190,598	179,570
	3,575	714	5,706	6,757	2,219	2,839	(11,214)	(12,714)	15,554	12,428
	-	224	2,263	2,801	854	496	-	-	13,807	14,303
	808	696	2,468	1,478	6,588	6,644	(365)	(365)	126,053	118,287
	157	156	43	44	175	175	-	-	7,427	7,524
	-	-	2,401	2,104	-	-	(32)	(32)	12,826	12,820
	1,477	1,817	6,951	4,765	2,253	2,874	(13,961)	(13,940)	14,704	13,988
	-	-	7	6	75	75	-	-	227	220
	-	-	-	-	11,896	12,226	-	-	84,874	78,203
	6,017	3,607	19,840	17,956	24,060	25,328	(25,572)	(27,050)	275,472	257,773
	210	209	-	-	5,143	5,477	(1,712)	(1,849)	19,229	18,595
	2,306	1,685	-	-	671	677	(33)	(32)	3,006	2,397
	472	307	-	-	2	2	-	-	15,509	14,323
	-	-	-	-	-	-	-	-	825	770
	382	382	5	5	-	-	-	-	1,802	1,677
	1,252	1,207	215	198	-	-	-	-	6,914	6,633
	1,531	1,500	1,741	1,974	1,632	1,691	(2,273)	(2,342)	26,002	25,776
	<b>12,170</b>	<b>8,897</b>	<b>21,801</b>	<b>20,132</b>	<b>31,508</b>	<b>33,176</b>	<b>(29,590)</b>	<b>(31,274)</b>	<b>348,760</b>	<b>327,944</b>
	-	-	-	-	-	-	(251)	(251)	39,067	35,979
	3,093	2,095	385	415	22,594	23,325	(1,694)	(1,831)	231,755	222,179
	1,173	835	46	44	3,738	4,147	(1,098)	(1,223)	66,672	65,218
	1,921	1,260	3	5	36	43	(9)	(10)	19,055	16,399
	-	-	336	366	3,810	3,573	(587)	(598)	77,547	76,218
	-	-	-	-	3,114	3,334	1	-	17,141	17,047
	-	-	-	-	11,897	12,228	-	-	51,341	47,297
	-	-	885	448	2,223	3,184	(1,223)	(1,106)	1,885	2,527
	-	-	20,888	19,893	1,158	1,054	(19,578)	(21,314)	5,394	3,358
	180	180	5,133	5,169	-	-	(3,199)	(2,853)	5,062	5,096
	2,961	1,582	3,897	4,729	2,672	2,553	(3,645)	(3,920)	38,655	35,024
	<b>6,235</b>	<b>3,858</b>	<b>31,188</b>	<b>30,654</b>	<b>28,647</b>	<b>30,116</b>	<b>(29,590)</b>	<b>(31,274)</b>	<b>321,818</b>	<b>304,163</b>
									24,650	21,542
									561	561
									25,211	22,103
									1,731	1,678
									26,942	23,781
									<b>348,760</b>	<b>327,944</b>

**General Insurance –  
Customer segment  
overview**

Table 13.4

in USD millions, for the six months ended June 30

	Global Corporate		North America Commercial	
	2009	2008	2009	2008
Gross written premiums and policy fees	4,249	4,494	5,177	5,766
Net earned premiums and policy fees	2,402	2,586	4,121	4,599
Insurance benefits and losses, net	1,835	2,083	2,861	3,195
Policyholder dividends and participation in profits, net	–	6	6	6
Total net technical expenses	463	510	1,161	1,280
Net underwriting result	104	(13)	94	118
Net investment income	308	356	579	623
Net capital gains/(losses) and impairments on investments	16	–	24	–
Net non-technical result (excl. items not included in BOP)	(73)	5	(120)	(113)
Business operating profit before non-controlling interests	354	347	576	628
Non-controlling interests	–	–	–	–
Business operating profit	354	347	576	628
Ratios, as % of net earned premiums and policy fees				
Loss ratio	76.4%	80.6%	69.4%	69.5%
Expense ratio	19.3%	19.9%	28.3%	28.0%
Combined ratio	95.7%	100.5%	97.7%	97.4%

	Europe General Insurance		International Markets		GI Global Functions including Group Reinsurance		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	7,846	9,171	1,295	1,449	208	252	(528)	(539)	18,247	20,593
	6,710	7,661	979	1,011	20	33	–	–	14,231	15,889
	4,812	5,356	612	620	(73)	(49)	–	–	10,047	11,206
	–	–	–	–	–	–	–	–	6	12
	1,663	1,905	349	356	17	12	(11)	(3)	3,643	4,060
	234	400	18	35	75	69	11	3	535	611
	554	802	74	84	25	79	(6)	(33)	1,534	1,910
	11	–	–	–	–	–	–	–	50	–
	(176)	(153)	(17)	(25)	(13)	(11)	(4)	30	(404)	(269)
	624	1,048	75	93	87	137	–	–	1,715	2,253
	–	13	1	3	–	–	–	–	1	16
	624	1,035	74	90	87	137	–	–	1,714	2,236
	71.7%	69.9%	62.5%	61.3%	nm	nm	n/a	n/a	70.6%	70.5%
	24.8%	24.9%	35.7%	35.2%	nm	nm	n/a	n/a	25.6%	25.6%
	96.5%	94.8%	98.2%	96.6%	nm	nm	n/a	n/a	96.2%	96.2%

**General Insurance –  
Revenues by region**

Table 13.5

in USD millions, for the six months ended June 30

	Gross written premiums and policy fees from external customers	
	2009	2008
Global Corporate		
North America	1,465	1,615
Europe	2,472	2,740
Rest of Global Corporate	189	36
<b>Subtotal</b>	<b>4,126</b>	<b>4,391</b>
Europe & Africa		
United Kingdom	1,486	2,109
Germany	1,765	2,023
Switzerland	1,496	1,665
Italy	1,055	1,105
Spain	687	830
Southern Africa	313	347
Rest of Europe & Africa	986	1,043
<b>Subtotal</b>	<b>7,788</b>	<b>9,122</b>
Americas		
United States	4,828	5,380
Rest of North America	221	276
Latin America	625	597
<b>Subtotal</b>	<b>5,674</b>	<b>6,252</b>
Asia-Pacific & Middle East		
Asia-Pacific Mature Markets	531	664
China & South East Asia	114	154
<b>Subtotal</b>	<b>646</b>	<b>818</b>
Central Region		
Europe	–	1
<b>Subtotal</b>	<b>–</b>	<b>1</b>
<b>Total</b>	<b>18,234</b>	<b>20,584</b>

General Insurance –  
Assets by region

Table 13.6

in USD millions, as of

	Property / equipment and intangible assets	
	06/30/09	12/31/08
Europe & Africa		
United Kingdom	230	211
Germany	256	259
Switzerland	119	109
Italy	72	128
Spain	746	764
Southern Africa	20	10
Rest of Europe & Africa	1,351	1,341
<b>Subtotal</b>	<b>2,794</b>	<b>2,822</b>
Americas		
United States	242	244
Rest of North America	3	3
Latin America	127	46
<b>Subtotal</b>	<b>371</b>	<b>293</b>
Asia-Pacific & Middle East		
Asia-Pacific Mature Markets	80	68
China & South East Asia	22	23
<b>Subtotal</b>	<b>102</b>	<b>90</b>
<b>Total</b>	<b>3,267</b>	<b>3,206</b>

Global Life –  
Overview

Table 13.7

in USD millions, for the six months ended June 30

	Americas		United Kingdom		Germany	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Life insurance deposits	317	280	1,505	1,956	954	845
Gross written premiums and policy fees	566	541	420	769	1,524	1,901
Net earned premiums and policy fees	448	426	334	679	1,473	1,848
Net investment income on Group investments	216	220	163	319	851	956
Net capital gains/(losses) and impairments on Group investments	4	1	(56)	(263)	(117)	(99)
Net investment result on Group investments	220	221	108	56	734	857
Net investment income on unit-linked investments	(2)	35	739	1,225	12	17
Net capital gains/(losses) and impairments on unit-linked investments	48	(111)	(1,105)	(6,236)	494	(1,250)
Net investment result on unit-linked investments	46	(75)	(366)	(5,010)	506	(1,233)
Other income	56	62	99	264	86	205
<b>Total BOP revenues</b>	<b>771</b>	<b>633</b>	<b>174</b>	<b>(4,011)</b>	<b>2,800</b>	<b>1,676</b>
<b>Benefits, losses and expenses</b>						
Insurance benefits and losses, net	291	290	188	330	1,608	1,932
Policyholder dividends and participation in profits, net	44	(72)	(355)	(4,824)	583	(945)
Income tax expense/(benefit) attributable to policyholders	–	–	(203)	(580)	18	13
Underwriting and policy acquisition costs, net	100	34	240	465	181	206
Administrative and other operating expense (excl. depreciation/amortization)	99	109	184	256	161	191
Interest credited to policyholders and other interest	84	86	6	36	74	114
Restructuring provisions and other items not included in BOP	–	(1)	(18)	37	–	–
<b>Total BOP benefits, losses and expenses</b>	<b>618</b>	<b>446</b>	<b>42</b>	<b>(4,279)</b>	<b>2,625</b>	<b>1,512</b>
<b>Business operating profit (before interest, depreciation and amortization)</b>	<b>153</b>	<b>187</b>	<b>132</b>	<b>268</b>	<b>175</b>	<b>164</b>
Depreciation and impairments of property and equipment	1	1	4	6	6	7
Amortization and impairments of intangible assets	9	6	(20)	61	20	22
Interest expense on debt	1	1	7	1	–	–
Business operating profit before non-controlling interests	142	178	141	200	149	134
Non-controlling interests	2	1	–	–	4	1
<b>Business operating profit</b>	<b>140</b>	<b>178</b>	<b>141</b>	<b>200</b>	<b>145</b>	<b>134</b>
<b>Supplementary information</b>						
Gross written premiums and policy fees from external customers	566	541	417	767	1,497	1,871
Property, equipment and intangible assets <sup>1</sup>	285	244	489	403	989	996

<sup>1</sup> As of June 30, 2009 and December 31, 2008, respectively.



	Switzerland		Ireland		Spain		Emerging Markets in Asia		Rest of the world		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	23	35	570	611	1,231	214	600	987	347	389	-	-	5,546	5,317
	945	1,086	176	177	1,881	129	118	135	408	351	(16)	(8)	6,023	5,080
	942	1,083	128	128	1,857	110	101	123	386	323	-	-	5,669	4,721
	294	336	45	58	254	86	23	30	170	211	-	-	2,017	2,216
	11	49	(18)	6	2	-	(2)	8	(24)	(28)	-	-	(198)	(326)
	305	385	27	64	256	86	22	38	147	183	-	-	1,819	1,890
	1	5	96	133	32	11	1	7	38	178	-	-	917	1,611
	15	(66)	168	(1,001)	65	(138)	82	(650)	139	(652)	-	-	(91)	(10,104)
	16	(61)	265	(868)	97	(127)	83	(643)	177	(474)	-	-	826	(8,493)
	24	36	1	-	20	4	31	25	74	85	(1)	-	390	680
	<b>1,287</b>	<b>1,443</b>	<b>421</b>	<b>(676)</b>	<b>2,231</b>	<b>73</b>	<b>236</b>	<b>(457)</b>	<b>784</b>	<b>116</b>	<b>(1)</b>	<b>-</b>	<b>8,704</b>	<b>(1,202)</b>
	865	1,035	17	39	1,929	147	39	32	273	350	-	-	5,211	4,156
	108	70	291	(825)	103	(128)	81	(647)	226	(511)	-	-	1,081	(7,881)
	-	-	8	(2)	-	-	-	-	7	(35)	-	-	(170)	(604)
	77	83	52	56	44	4	29	67	62	63	-	-	784	976
	94	117	28	30	32	22	31	50	143	178	(1)	-	771	952
	9	10	-	-	7	1	13	13	6	5	-	-	200	267
	18	-	-	-	(24)	-	10	-	(5)	(1)	-	-	(19)	35
	<b>1,172</b>	<b>1,314</b>	<b>397</b>	<b>(702)</b>	<b>2,091</b>	<b>46</b>	<b>203</b>	<b>(484)</b>	<b>712</b>	<b>48</b>	<b>(1)</b>	<b>-</b>	<b>7,858</b>	<b>(2,099)</b>
	<b>115</b>	<b>129</b>	<b>24</b>	<b>26</b>	<b>140</b>	<b>27</b>	<b>33</b>	<b>27</b>	<b>72</b>	<b>68</b>	<b>-</b>	<b>-</b>	<b>846</b>	<b>897</b>
	1	4	1	1	-	-	2	2	1	1	-	-	16	22
	-	-	1	-	84	1	2	1	28	1	-	-	124	92
	1	3	-	-	33	2	-	-	5	2	-	-	48	9
	113	122	23	25	22	25	29	24	38	64	-	-	658	773
	-	-	-	-	11	-	-	-	-	-	-	-	17	1
	<b>113</b>	<b>122</b>	<b>23</b>	<b>25</b>	<b>11</b>	<b>25</b>	<b>29</b>	<b>24</b>	<b>38</b>	<b>64</b>	<b>-</b>	<b>-</b>	<b>641</b>	<b>772</b>
	945	1,086	176	177	1,881	129	97	127	402	348	-	-	5,982	5,046
	191	159	8	6	2,862	2,742	12	14	231	270	-	-	5,068	4,835

Farmers –  
Overview

Table 13.8

in USD millions, for the six months ended June 30

	<b>Total</b>	
	<b>2009</b>	<b>2008</b>
<b>Farmers Management Services</b>		
Management fees and other related revenues	1,247	1,196
Management and other related expenses	(636)	(622)
<b>Gross management result</b>	<b>610</b>	<b>574</b>
Other net income (excl. items not included in BOP)	33	43
Business operating profit before non-controlling interest	643	617
<b>Business operating profit</b>	<b>643</b>	<b>617</b>
<b>Farmers Re</b>		
Gross written premiums and policy fees	2,883	836
Net earned premiums and policy fees	2,222	833
Insurance benefits and losses, net	(1,559)	(599)
Total net technical expenses	(657)	(225)
<b>Net underwriting result</b>	<b>7</b>	<b>9</b>
Net investment result income	73	46
Business operating profit before non-controlling interests	80	54
<b>Business operating profit</b>	<b>80</b>	<b>54</b>
<b>Farmers business operating profit</b>	<b>724</b>	<b>672</b>
Ratios, as % of net earned premiums and policy fees		
<b>Farmers Re Combined ratio</b>	<b>99.7%</b>	<b>99.0%</b>
Supplementary information		
Property, equipment and intangible assets <sup>1</sup>	1,886	1,811

<sup>1</sup> As of June 30, 2009 and December 31, 2008, respectively.



Table 13.9

in USD millions, for the six months ended June 30

Other Operating  
Businesses –  
Overview

	Alternative Investments		Banking Activities	
	2009	2008	2009	2008
Gross written premiums and policy fees	–	–	–	–
Net earned premiums and policy fees	–	–	–	–
Net investment income	5	7	83	134
Net capital gains/(losses) and impairments on investments	–	–	(61)	16
Other income	5	5	2	3
<b>Total BOP revenues</b>	<b>10</b>	<b>11</b>	<b>24</b>	<b>154</b>
Insurance benefits and losses, incl. PH dividends, net	–	–	–	–
Administrative and other operating expense (excl. depreciation/amortization)	12	(6)	11	42
Other expenses (excl. items not included in BOP)	–	–	4	14
Depreciation, amortization and impairments of property, equipment and intangible assets	–	–	2	2
Interest expense on debt	12	23	32	58
<b>Business operating profit before non-controlling interests</b>	<b>(14)</b>	<b>(6)</b>	<b>(25)</b>	<b>38</b>
Non-controlling interests	–	(1)	–	–
<b>Business operating profit</b>	<b>(14)</b>	<b>(4)</b>	<b>(25)</b>	<b>38</b>

	Holding & Financing		Headquarters		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	67	84	3	3	-	-	70	87
	40	54	4	4	-	-	44	58
	217	298	2	5	(10)	(29)	297	415
	(80)	(5)	-	-	-	-	(141)	11
	14	(58)	523	587	(38)	(35)	507	502
	191	289	530	596	(48)	(64)	707	987
	(31)	30	1	2	-	-	(30)	32
	(100)	(92)	515	536	(38)	(35)	399	446
	56	55	-	-	-	-	60	70
	-	-	30	24	-	-	32	26
	475	582	-	4	(10)	(29)	509	638
	(209)	(287)	(17)	31	-	-	(264)	(224)
	-	-	-	-	-	-	-	(1)
	<b>(209)</b>	<b>(287)</b>	<b>(17)</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>(264)</b>	<b>(223)</b>

Non-Core  
Businesses –  
Overview

Table 13.10

in USD millions, for the six months ended June 30

	<b>Total</b>	
	<b>2009</b>	<b>2008</b>
Gross written premiums and policy fees	328	240
Net earned premiums and policy fees	312	261
Insurance benefits and losses, net	580	267
Policyholder dividends and participation in profits, net	102	(846)
Total net technical expenses	(21)	59
Net underwriting result	(350)	781
Net investment income	134	735
Net capital gains/(losses) and impairments on investments	44	(1,406)
Net non-technical result (excl. items not included in BOP)	(91)	(17)
<b>Business operating profit before non-controlling interests</b>	<b>(262)</b>	<b>92</b>
<b>Business operating profit</b>	<b>(263)</b>	<b>92</b>

## 14. Events after the balance sheet date

On July 1, 2009, the Group completed the acquisition of 100 percent of AIG's US Personal Auto Group, which includes "21st Century Insurance" (comprising the former "AIG Direct" and "21st Century Insurance"), as well as AIG's "Agency Auto". The purchase price amounted to approximately USD 1.9 billion, of which approximately USD 1.7 billion was paid in cash and approximately USD 0.2 billion was met through the issue of Euro denominated Capital Notes ("Capital Notes"). As part of the transaction, Farmers Group Inc. immediately sold those elements of the acquired business which comprise regulated insurance businesses to the Farmers Exchanges, which the Group manages but does not own, for approximately USD 1.4 billion in cash, resulting in a net purchase price for the Group of approximately USD 0.5 billion. The Group has provided increased underwriting capacity to the Farmers Exchanges through an increase of the existing All Lines quota share reinsurance treaty from the Farmers Exchanges from 25% to 37.5%. The resulting increase in the Group's capital requirement to support the acquisition and the additional reinsurance assumed for the business in the Farmers Exchanges was financed through the sale of ordinary shares by Zurich Financial Services Ltd on April 17, 2009 raising CHF 1.2 billion (equivalent to USD 1.1 billion) as well as the issuance of the Capital Notes.

On July 9, 2009, the Group announced its intention to repurchase by way of a cash tender offer to the holders up to a total of USD 728 million aggregate principal amount of certain of its trust preferred securities. Tender offers have been reported by the depositary to be in excess of the amount to be repurchased as of the announced early tender date of July 17, 2009. The offer will continue to run until August 6, 2009, when the final outcome of the offer to purchase will be known. Furthermore, on July 21, 2009 the Group announced the successful placement of EUR 425 million of 30-year fixed rate subordinated debt callable in 2019, to investors in the Euro institutional market under the Euro Medium Term Notes Programme.

On July 21, 2009, Caixa d'Estalvis de Sabadell, a savings bank with which the Group entered into bank distribution agreements in Spain in 2008, announced that it was developing plans for a merger between it and two other Spanish savings banks. The Group is reviewing the potential impact and its options resulting from such a merger on these agreements.

The Group holds debt securities with a market value of USD 104 million as of June 30, 2009 issued by a large US finance company. On July 20, 2009, this company obtained a financing pledge of USD 3 billion from bond holders. Since June 30, 2009, the Group has reduced significantly these holdings. As a result, by September 30, 2009, the Group expects to have realized a loss of approximately USD 52 million before tax.

## Disclaimer & Cautionary Statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predicated on or indicate future events, trends, plans or objectives. Forward-looking statements include statements regarding our targeted profit improvement, return on equity targets, expense reductions, pricing conditions, dividend policy and underwriting claims improvements, as well as statements regarding our understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans and objectives of Zurich Financial Services Ltd or the Zurich Financial Services Group (the "Group") to differ materially from those expressed or implied in the forward looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in our key markets; (ii) the risk of the global economic downturn and a downturn in the financial services industries in particular; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; and (viii) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Financial Services Ltd and its Group and on whether the targets will be achieved. Zurich Financial Services Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

It should be noted that past performance is not a guide to future performance. Please also note that interim results are not necessarily indicative of the full year results.

Persons requiring advice should consult an independent adviser.

This communication does not constitute an offer or an invitation for the sale or purchase of securities in any jurisdiction.

THIS COMMUNICATION DOES NOT CONTAIN AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES; SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR EXEMPTION FROM REGISTRATION, AND ANY PUBLIC OFFERING OF SECURITIES TO BE MADE IN THE UNITED STATES WILL BE MADE BY MEANS OF A PROSPECTUS THAT MAY BE OBTAINED FROM THE ISSUER AND THAT WILL CONTAIN DETAILED INFORMATION ABOUT THE COMPANY AND MANAGEMENT, AS WELL AS FINANCIAL STATEMENTS.

# Review Report of the Auditors

## Review Report of the Auditors

To the Board of Directors of Zurich Financial Services Ltd

### Introduction

We have reviewed the condensed consolidated interim financial information (consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and related notes on pages 89 to 140) of Zurich Financial Services Ltd for the period ended June 30, 2009. The Board of Directors is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with Swiss Auditing Standard 910 and International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swiss Auditing Standards and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers AG

Patrick Shoumlin

Ray Kunz

Zurich, August 5, 2009