

Letter to Shareholders 2009

Results for the Six Months ended June 30, 2009



Zurich HelpPoint

Here to help your world.



Since the onset of the global economic downturn last year, Zurich has remained steadfast in managing those factors of success that are within its control.

Dear Shareholder,

We are proud to report to you an outstanding set of operating results, marking Zurich's 26th straight quarter of profitability. Since the onset of the global economic downturn last year, Zurich has remained steadfast in managing those factors of success that are within its control, ranging from its risk tolerance and investment exposure to its expense base and product portfolio.

As a result, we increased our profitability for the third consecutive quarter, generating almost USD 900 million of net income, a 147 percent increase over the first quarter figures. Furthermore, our quarterly business operating profit increased to USD 1.5 billion, representing a 41% increase over the first quarter, and resulting in a 16.6 percent business operating profit after tax return, exceeding our mid-term targets.

Over the first half of 2009, General Insurance generated USD 18.2 billion in gross written premiums and policy fees, a decrease of 11% or 2% in local currencies, and maintained a steady 96.2 percent combined ratio, successfully driving a sustained and widespread increase in rates across its diversified product portfolio. Global Life delivered strong APE growth of 3 percent in U.S. dollar terms (19 percent in local currency terms), led particularly by strong growth in the bank distribution pillar, and posted a solid business margin of 21 percent. At Farmers, management fees and other related revenues increased 4 percent to USD 1.2 billion, and after the closing of

the transaction on July 1 the integration of AIG's Personal Auto Group is well under way. All three segments also contributed heavily to our continuous operational improvement efforts, as we remain on track to meet our Zurich Way target of USD 900 million as well as our additional expense reduction target of USD 400 million.

Underscoring Zurich's strong balance sheet and capital position, we also increased shareholders' equity by 14 percent over year-end, and strengthened our regulatory solvency ratio to 180 percent. Both achievements stand as a testament to Zurich's growing financial strength, and position us well for the recovery period and beyond.

On a final note, the Board is proud to announce that it has appointed Martin Senn to succeed James J. Schiro as Chief Executive Officer upon his retirement at year-end. Martin is the right leader to build on the success Zurich has achieved over the past several years, and we trust he will continue to earn the confidence of our shareholders.

These results, as well as the fact that we could appoint a leader like Martin from within the ranks of the current management team, illustrate the immense capabilities and commitment of the 60,000 employees who represent Zurich. We thank them for the tireless efforts that made these achievements possible, and thank you for your continued support.



Dr. Manfred Gentz
Chairman of the Board of Directors



James J. Schiro
Chief Executive Officer

The information contained within this Letter to Shareholders is an extract taken from the Financial Review of the Half Year Report 2009 available on www.zurich.com and is unaudited. This document should be read in conjunction with the Zurich Financial Services Group's Financial Report 2008 and the unaudited consolidated financial statements as of June 30, 2009. Comparatives are for the six months ended June 30, 2008 or as of December 31, 2008 unless otherwise stated. All amounts, unless otherwise specified, are shown in U.S. dollars and rounded to the nearest million with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amount rather than the rounded amount. Certain comparatives including segment disclosures have been restated for changes in presentation and for reclassifications as set out in notes 1 and 13 of the unaudited consolidated financial statements available on www.zurich.com to conform to the 2009 presentation. The reclassifications have no impact on previously reported business operating profit, net income or shareholders' equity.

Financial Highlights

in USD millions, for the six months ended June 30, unless otherwise stated	2009	2008	Change ¹
Business operating profit	2,552	3,549	(28%)
Net income attributable to shareholders	1,254	2,681	(53%)
General Insurance gross written premiums and policy fees	18,247	20,593	(11%)
Global Life gross written premiums, policy fees and insurance deposits	11,569	10,397	11%
Farmers Management Services management fees and other related revenues	1,247	1,196	4%
General Insurance business operating profit	1,714	2,236	(23%)
General Insurance combined ratio	96.2%	96.2%	(0.1 pts)
Global Life business operating profit	641	772	(17%)
Global Life new business annual premium equivalent (APE)	1,579	1,528	3%
Global Life new business margin, after tax (as % of APE)	21.0%	22.4%	(1.3 pts)
Global Life new business value, after tax	332	342	(3%)
Farmers business operating profit	724	672	8%
Farmers Management Services gross management result	610	574	6%
Farmers Management Services managed gross earned premium margin	7.3%	7.1%	0.2 pts
Group investments average invested assets ²	184,799	192,806	(4%)
Group investments result, net	2,435	3,975	(39%)
Group investments return (as % of average invested assets)	1.3%	2.1%	(0.7 pts)
Shareholders' equity ³	25,211	22,103	14%
Diluted earnings per share (in USD)	8.82	18.99	(54%)
Diluted earnings per share (in CHF)	9.96	19.94	(50%)
Book value per share (in CHF) ³	186.01	167.92	11%
Return on common shareholders' equity (ROE)	10.8%	19.5%	(8.8 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)	16.6%	19.9%	(3.4 pts)

¹ Parentheses around numbers represent an adverse variance.

² Excluding average cash received as collateral for securities lending of USD 285 million and USD 1.5 billion in the six months ended June 30, 2009 and 2008, respectively.

³ As of June 30, 2009 and December 31, 2008, respectively.

Performance
overview for the
six months ended
June 30, 2009

Against the backdrop of the difficult recessionary environment we delivered a strong set of financials for the six months ended June 30, 2009, with our operating performance for the discrete second quarter 2009 increasing for the third consecutive time from the low point reached in the third quarter 2008. Our core underlying insurance operations of General Insurance and Global Life as well as the fee-based business of Farmers Management Services performed robustly while our Non-Core Businesses suffered from the effects of policyholders' behavior experienced in current market conditions on certain life insurance reserves. Lower yield and dividend levels significantly reduced our investment income while the quality of our investment portfolio remained unchanged. Our capital and solvency positions remained strong with shareholders' equity increasing by 14 percent compared with December 31, 2008 and our Solvency I position increasing by 20 percent since December 31, 2008 to 180 percent. Our business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) for the six months ended June 30, 2009 was 16.6 percent.

Business operating profit decreased by USD 997 million or 28 percent to USD 2.6 billion in U.S. dollar terms and by 22 percent on a local currency basis, with lower investment income across most businesses and higher life insurance reserves in our Non-Core Businesses being the primary contributors to this decrease at a Group level.

- **General Insurance** business operating profit decreased by USD 522 million or 23 percent to USD 1.7 billion in U.S. dollar terms and by 16 percent on a local currency basis. The decrease in local currency was driven by lower investment and non-technical results while our underwriting performance remained largely level compared with the prior period with a combined ratio of 96.2 percent. The loss ratio was largely flat at 70.6 percent as a result of our continued focus on underwriting profitability and the expense ratio remained at 25.6 percent demonstrating our commitment to expense discipline.
- **Global Life** business operating profit decreased by USD 131 million to USD 641 million, a decrease of 17 percent in U.S. dollar terms and 5 percent in local currency. The decline on a local currency basis, was mainly driven by the impact of movements in the financial markets in the UK and Australia as well as by the impact of the acquisitions executed in the third quarter of 2008 on amortization of acquired intangibles and funding expense. Excluding these effects, the underlying performance remained resilient despite the challenging economic environment and its impact on customer savings and investment behavior.
- **Farmers** business operating profit increased by USD 52 million or 8 percent to USD 724 million. **Farmers Management Services** business operating profit increased by USD 26 million, or 4 percent, over the prior period. This increase was driven by contributions from organic and inorganic growth as well as strict expense discipline, partially offset by lower investment income. **Farmers Re** business operating profit increased by USD 26 million or 47 percent to USD 80 million due to higher investment income and improved loss trends in the underlying business assumed from the Farmers Exchanges, offset in part by higher ceding commission on the All Lines quota share reinsurance treaty.

Other Operating Businesses business operating loss increased by USD 41 million to a loss of USD 264 million primarily as a result of increased loan loss provisions in our banking operations. Gains on buy-backs of subordinated debt executed against advantageous market conditions offset higher headquarter expenses primarily resulting from a decrease in net headquarter revenues and a different phasing of branding activities.

The **Non-Core Businesses**, comprising the Group's run-off businesses, reported a discrete second quarter business operating profit of USD 66 million reducing its business operating loss for the six months ended June 30, 2009 to USD 263 million compared with a profit of USD 92 million in the prior six month period. The loss for the first six months resulted from an increase in certain life reserves addressing policyholders' behavior in current market conditions.

Net income attributable to shareholders decreased by USD 1.4 billion to USD 1.3 billion primarily resulting from capital losses on investments, including impairments, after allocations to policyholders, of USD 1.0 billion compared with net capital gains of USD 9 million in 2008. The **shareholders' effective tax rate** was 24.7 percent for the six months ended June 30, 2009 compared with 19 percent for the year ended December 31, 2008. The 2008 full year shareholders' effective tax rate was positively affected by one-off items, mainly the use of previously unrecognized net operating losses, while the shareholders' effective tax rate for the six months ended June 30, 2009 was adversely impacted by regional profit mix changes as well as the disadvantageous treatment of capital losses on investments in certain jurisdictions.

Business volumes in our main operating segments developed as follows:

- **General Insurance** gross written premiums and policy fees decreased by 11 percent to USD 18.2 billion in U.S. dollar terms and by 2 percent on a local currency basis. We managed to achieve average rate increases of 3 percentage points across our businesses with our Global Corporate division being most successful in leading the market to increase rates. Retention and new business premium levels were nevertheless down as we continue to experience some loss of business in cases where customers did not accept the terms required to meet our technical price and where lower levels of customer economic activity led to reduced levels of insured exposure.
- **Global Life** gross written premiums, policy fees and insurance deposits increased by 11 percent to USD 11.6 billion in U.S. dollar terms and by 30 percent on a local currency basis. The local currency increase was primarily driven by the businesses acquired in Spain in the third quarter of 2008.
- **Farmers Management Services** management fees and other related revenues increased by 4 percent, reflecting the underlying increase in the gross earned premiums of 4 percent in the Farmers Exchanges, which we manage but do not own. The increase in gross earned premiums resulted from the acquisition of Small Business Solutions by the Farmers Exchanges from North America Commercial during June 2008, as well as from some underlying growth despite the difficult market conditions. **Farmers Re** increased its participation in the All Lines quota share reinsurance treaty with the Farmers Exchanges from 5 percent to 25 percent as of September 2008 and from 25 percent to 37.5 percent as of June 30, 2009 which resulted in an increase in assumed written premium revenues.

Compared with the six months ended June 30, 2008, **ROE** decreased by 8.8 percentage points to 10.8 percent while **BOPAT ROE** decreased by 3.4 percentage points to 16.6 percent. **Diluted earnings per share** decreased by 50 percent to CHF 9.96 for the six months ended June 30, 2009, compared with CHF 19.94 for the same period in 2008. The corresponding diluted earnings per share movement in U.S. dollars was a decrease of 54 percent to USD 8.82.

General Insurance

in USD millions, for the six months ended June 30	2009	2008	Change
Gross written premiums and policy fees	18,247	20,593	(11%)
Net earned premiums and policy fees	14,231	15,889	(10%)
Insurance benefits and losses, net of reinsurance	(10,047)	(11,206)	10%
Net underwriting result	535	611	(12%)
Net investment income	1,534	1,910	(20%)
Net non-technical result (excl. items not included in BOP)	(404)	(269)	(50%)
Business operating profit	1,714	2,236	(23%)
Loss ratio	70.6%	70.5%	(0.1 pts)
Expense ratio	25.6%	25.6%	–
Combined ratio	96.2%	96.2%	(0.1 pts)

In challenging market conditions, characterized by contracting economic activity, General Insurance has delivered a robust operating performance by executing on our strategy of maintaining underwriting and expense discipline as well as pursuing profitable growth.

Business operating profit decreased by USD 522 million to USD 1.7 billion or by 23 percent in U.S. dollar terms and by 16 percent on a local currency basis. The decrease measured in local currency was mainly attributable to the lower investment income as well as higher non-technical expenses due to foreign currency exchange impacts and non-recurring one-offs in the same period of 2008. The segment continued to focus on underwriting and expense management and as a result the underwriting result was largely flat in local currency.

Gross written premiums and policy fees decreased by USD 2.3 billion to USD 18.2 billion or by 11 percent in U.S. dollar terms and by 2 percent on a local currency basis. The reduction measured in local currency was driven by North America where rate improvements were more than offset by the effects of lower insured exposures as a result of the economic downturn. Positive local currency growth was achieved in Global Corporate, International Markets and European General Insurance. We maintained our underwriting discipline and continued to increase rates where our technical pricing required us to do so. Overall, we achieved rate increases of over 3 percentage points. As a consequence, retention and new business levels were affected in some markets.

The **net underwriting result** decreased by USD 76 million to USD 535 million in U.S. dollar terms with the combined ratio of 96.2 percent at the same level as the same period in 2008. Overall the loss ratio in the first six months of 2009 was largely unchanged compared with the same period of 2008. While attritional loss experience was mostly flat overall for General Insurance, the loss ratio was impacted by lower levels of favorable development of reserves established in prior years; however, this impact was offset by the large loss experience which reduced to more expected levels in the first six months of 2009. Although the premiums earned were lower than in 2008 the expense ratio was at the same level, reflecting our strict expense management and the benefits of our cost savings programs.

Global Life

in USD millions, for the six months ended June 30	2009	2008	Change
Insurance deposits	5,546	5,317	4%
Gross written premiums and policy fees	6,023	5,080	19%
Net investment income on Group investments	2,017	2,216	(9%)
Insurance benefits and losses, net of reinsurance	(5,211)	(4,156)	(25%)
Underwriting and policy acquisition costs, net of reinsurance	(784)	(976)	20%
Administrative and other operating expenses	(910)	(1,066)	15%
of which:			
Amortization and impairments of intangible assets	(124)	(92)	(34%)
Depreciation and impairments of property and equipment	(16)	(22)	29%
Business operating profit	641	772	(17%)
Total reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts ¹	163,468	154,700	6%
Assets under management ^{1,2}	192,640	180,416	7%
Embedded value – highlights			
New business annual premium equivalent (APE)	1,579	1,528	3%
Present value of new business premiums (PVNBP)	12,275	12,223	0.4%
New business margin, after tax (as % of APE)	21.0%	22.4%	(1.3 pts)
New business margin, after tax (as % of PVNBP)	2.7%	2.8%	(0.1 pts)
New business value, after tax	332	342	(3%)

¹ As of June 30, 2009 and December 31, 2008.

² Assets under management comprise Group and unit-linked investments that are included in the Global Life balance sheet plus assets that are managed by third parties on which we earn fees.

Global Life reported solid results in both new business APE and gross written premiums and policy fees, benefiting from the impact of the distribution agreements forming part of the acquisitions of BanSabadell Vida, BanSabadell Pensiones and Caxia Sabadell Vida completed in the third quarter of 2008. The results for the first six months of 2009 were achieved against a backdrop of challenging market conditions in our core markets from reduced equity markets, low interest rates, and consumer reaction to the global financial crisis.

New business annual premium equivalent (APE) increased by USD 51 million to USD 1.6 billion, an increase of 3 percent in U.S. dollar terms, and of 19 percent on a local currency basis driven by the distribution agreements forming part of the acquisitions in Spain. Additional growth was contributed by the Corporate Life & Pensions and Independent Financial Advisors (IFA)/Broker pillars, as well as the successful launch of the Private Banking Client Solutions pillar. The growth was reduced by lower sales in the Agents pillar in Hong Kong and in the International/Expats pillar, both due to the adverse market conditions, and reduced sales from Direct and Central Initiatives compared with the prior period.

Business operating profit decreased by USD 131 million to USD 641 million, a decrease of 17 percent in U.S. dollar terms, and of 5 percent on a local currency basis. The reduced results, on a local currency basis, reflect a strong underlying performance in difficult market conditions with the adverse effect of financial markets impacting predominantly the UK and Australia. This effect together with the costs of adverse claims experience in the UK and the impact of regular amortization of intangible assets and funding costs relating to the acquisitions in Spain and Italy, were mostly offset by the continuing benefit from changes in the German Supervisory Law, a net reduction in amortization of deferred policy acquisition costs as a result of assumption changes, and reduced amortization of intangible assets in the UK.

Insurance deposits increased by 4 percent in U.S. dollar terms to USD 5.5 billion and by 26 percent on a local currency basis, primarily driven by the businesses acquired in Spain in the third quarter of 2008.

Gross written premiums and policy fees increased by 19 percent in U.S. dollar terms to USD 6.0 billion and by 35 percent on a local currency basis. The increase on a local currency basis was due to the businesses acquired in Spain in the third quarter of 2008 and growth in Latin America, which was partially offset by decreases in the UK and Germany.

Net reserves increased by 6 percent in U.S. dollar terms and by 1 percent in local currency, compared with December 31, 2008. On a local currency basis, the increase was primarily driven by the interest and bonuses credited to policyholders for unit-linked insurance and investment contracts, and the traditional reserves.

Assets under management increased by 7 percent in U.S. dollar terms and by 2 percent in local currency, compared with December 31, 2008. These comprise group and unit-linked investments included in the Global Life balance sheet plus assets that are managed by third parties on which we earn fees.

Farmers

Farmers business operating profit totaled USD 724 million compared with USD 672 million in the first six months of 2008. Farmers Management Services contributed USD 643 million compared with USD 617 million in the prior period and Farmers Re totaled USD 80 million compared with USD 54 million in the prior period.

Farmers Management Services

in USD millions, for the six months ended June 30	2009	2008	Change
Management fees and other related revenues	1,247	1,196	4%
Management and other related expenses	(636)	(622)	(2%)
Gross management result	610	574	6%
Other net income	33	43	(23%)
Business operating profit	643	617	4%
Managed gross earned premium margin	7.3%	7.1%	0.2 pts

Business operating profit increased by USD 26 million or 4 percent to USD 643 million. This increase was driven by disciplined expense management, by an improvement of USD 12 million from Small Business Solutions, for which the rights to renew policies were acquired by the Farmers Exchanges, which we manage but do not own, from Zurich North America in June 2008, and by the contribution from the growth in underlying operations. These increases were offset by a USD 6 million decrease in investment income mainly arising from the lower average invested asset base following the repatriation of capital to the Group in the second quarter of 2008.

Management fees and other related revenues increased by 4 percent to USD 1.2 billion primarily driven by a 4 percent increase in gross earned premiums in the Farmers Exchanges, which we manage but do not own. Small Business Solutions generated an increase in fee income of USD 40 million compared with the prior period reflecting its acquisition from Zurich North America in June 2008. The remainder resulted from fee income increases in the underlying business of Farmers Exchanges. Management and other related expenses increased by USD 15 million or 2 percent in the period reflecting the inclusion of Small Business Solutions throughout the period in 2009. Underlying expenses excluding Small Business Solutions reduced by USD 17 million reflecting our continued strict expense discipline and the benefits of our ongoing operational transformation. As a result of these changes and underlying improvements, the gross management result improved by USD 36 million, or 6 percent while the managed gross earned premium margin improved by 0.2 percentage points to 7.3 percent from 7.1 percent.

Other Operating Businesses

in USD millions, for the six months ended June 30	2009	2008	Change
Business operating profit:			
Holding and financing	(209)	(287)	27%
Headquarters	(17)	31	nm
Banking activities	(25)	38	nm
Alternative investments	(14)	(4)	nm
Total business operating profit	(264)	(223)	(18%)

Holding and financing business operating loss improved by USD 79 million to a loss of USD 209 million. This improvement was primarily driven by gains resulting from buy-backs of subordinated debt and a favorable impact from movements in foreign currencies. **Headquarters** reported a business operating loss of USD 17 million compared with a profit of USD 31 million in the prior period. This arose mainly as a result of lower income from net headquarter revenues as well as higher branding expenses in 2009 compared with the prior period due to earlier phasing of marketing campaigns. **Banking activities** decreased by USD 63 million to a loss of USD 25 million predominantly driven by an increase in loan loss provisions reflecting developments in the UK and Irish property markets.

Non-Core Businesses

in USD millions, for the six months ended June 30	2009	2008	Change
Business operating profit:			
Centre	57	4	nm
Centrally managed businesses	(322)	49	nm
Other run-off	2	39	(95%)
Total business operating profit	(263)	92	nm

Centre business operating profit increased by USD 54 million to USD 57 million, driven by positive capital market impacts on a portfolio where both assets and liabilities are carried at fair value. **Centrally managed businesses**, which comprise portfolios that we manage in order to achieve a profitable run-off over time, decreased by USD 371 million to a loss of USD 322 million, primarily resulting from an increase of certain life insurance reserves addressing policyholders' behavior experienced in current market conditions.

Investment position and performance

Breakdown of investments	in USD millions, as of	Group investments		Unit-linked investments	
		06/30/09	12/31/08	06/30/09	12/31/08
		Cash and cash equivalents	15,554	12,428	5,228
Equity securities:	13,807	14,303	66,108	60,154	
Common stocks, including equity unit trusts	8,331	8,957	56,120	51,276	
Unit trusts (debt securities, real estate and short-term investments)	4,207	3,930	9,988	8,879	
Common stock portfolios backing participating with-profit policyholder contracts	595	630	–	–	
Trading equity portfolios in capital markets and banking activities	675	786	–	–	
Debt securities	126,053	118,287	9,659	9,510	
Real estate held for investment	7,427	7,524	3,824	4,077	
Mortgage loans	12,826	12,820	–	–	
Policyholders' collateral and other loans	14,704	13,988	56	2	
Investments in associates	227	220	–	–	
Total		190,598	179,570	84,874	78,203

Group investments have increased by USD 11.0 billion or 6 percent in U.S. dollar terms to USD 190.6 billion and by 4 percent on a local currency basis since December 31, 2008.

Unit-linked investments increased by USD 6.7 billion or 9 percent in U.S. dollars terms to USD 84.9 billion since December 31, 2008. After excluding currency translation effects, unit-linked investments increased by USD 854 million or 1 percent, primarily as a result of higher equity valuations following favorable market developments. This increase is mirrored in higher unit-linked insurance and investment contract liabilities.

The quality of our investment portfolio remains high and our investment policy remains conservative. Investment grade securities comprise 98.4 percent of our debt securities, of which 57.4 percent are rated AAA as of June 30, 2009. During the first six months of 2009 we further improved the risk profile of our portfolio through prudent investment of new cash and cash available from active realizations, leading to a further reduction of our risk profile.

Performance of
Group investments

in USD millions, for the six months ended June 30		2009	2008	Change
Net investment income		3,777	4,402	(14%)
Net capital gains/(losses) on investments and impairments		(1,342)	(426)	nm
of which: net capital gains/(losses) on investments and impairments attributable to shareholders		(1,015)	9	nm
Net investment result		2,435	3,975	(39%)
Net investment return on Group investments¹		1.3%	2.1%	(0.7 pts)
Movements in net unrealized gains/(losses) on investments included in total equity		601	(4,667)	nm
Total investment result, net of investment expenses²		3,036	(691)	nm
Average group investments ³		184,799	192,806	(4%)
Total return on Group investments¹		1.6%	(0.4%)	2.0 pts

¹ Net investment and total return are not annualized.

² After deducting investment expenses of USD 107 million and USD 136 million for the six months ended June 30, 2009 and 2008, respectively.

³ Excluding average cash received as collateral for securities lending of USD 285 million and USD 1.5 billion in the six months ended June 30, 2009 and 2008, respectively.

Total return, net of investment expenses, on average group investments was positive 1.6 percent, largely driven by the return from debt securities compared with a negative 0.4 percent in the prior period. Debt securities, which are invested to match our insurance liability profiles, returned positive 1.9 percent. Equity securities returned positive 1.0 percent as the effect of rising markets during the second quarter 2009 offset losses which arose in the first quarter of 2009. Other investments, mainly real estate and mortgages, returned a positive 1.4 percent.

Total **net investment income** decreased by USD 625 million, or 14 percent in U.S. dollar terms to USD 3.8 billion, and by 4 percent on a local currency basis. Net investment income yield was 2.0 percent, a decrease of 24 basis points compared with the prior period. This decrease resulted from a combination of lower yields on cash together with a decline in income from equity securities.

Total **net capital losses on investments and impairments** included in pre-tax net income were USD 1.3 billion, which included realized losses of USD 234 million, arising from the sale of investments, impairments of USD 738 million, of which USD 392 million was attributable to equity securities and USD 346 million was attributable to debt securities and mortgages, and net unrealized losses of USD 370 million on investments revalued through profit or loss, which were mainly driven by losses on debt securities of USD 188 million and on derivatives of USD 207 million.

Net unrealized losses included in total equity have decreased by USD 601 million since December 31, 2008, due to a USD 441 million decrease in net unrealized losses on equity securities following realization of losses and impairments taken during the first half year 2009, as well as a USD 173 million decrease in net unrealized losses on debt securities as the effect of narrowing credit spreads exceeded the effect of increasing yields on government debt.

Performance of
unit-linked
investments

in USD millions, for the six months ended June 30		2009	2008	Change
Net investment income		811	2,046	(60%)
Net capital (losses)/gains on investments and impairments		112	(11,450)	nm
Net investment result, net of investment expenses ¹		923	(9,404)	nm
Average investments		81,539	117,570	(31%)
Total return on unit-linked investments²		1.1%	(8.0%)	9.1 pts

¹ After deducting investment expenses of USD 215 million and USD 432 million for the six months ended June 30, 2009 and 2008, respectively.

² Total return is not annualized.

Total return on unit-linked investments improved by 9.1 percentage points to a positive return of 1.1 percent compared with a negative return of 8.0 percent in the prior period. The improvement in the total return was due to lower net capital losses of USD 11.6 billion with markets relatively flat in the first six months of 2009 compared with the adverse market conditions in the first six months of 2008. Investment income decreased by USD 1.2 billion or 60 percent, primarily due to lower dividend income on unit-linked equity investments.

Consolidated income statements (unaudited)

in USD millions	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	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	4,226	(396)	923	(9,404)
Net gain/(loss) on divestments of businesses	–	5	(4)	4
Other income	380	549	754	1,013
Total revenues	18,047	13,354	27,832	18,547
Benefits, losses and expenses				
Insurance benefits and losses, gross of reinsurance ¹	9,092	1,044	18,927	10,158
Less ceded insurance benefits and losses ¹	(766)	7,079	(1,560)	6,103
Insurance benefits and losses, net of reinsurance	8,326	8,123	17,367	16,261
Policyholder dividends and participation in profits, net of reinsurance	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	141	150	275	302
Interest credited to policyholders and other interest	122	220	244	440
Total benefits, losses and expenses	16,760	11,804	26,336	15,579
Net income before income taxes	1,287	1,550	1,496	2,968
Income tax expense	(400)	(237)	(242)	(219)
attributable to policyholders	(104)	120	170	604
attributable to shareholders	(295)	(357)	(411)	(823)
Net income after taxes	887	1,314	1,255	2,749
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	6.22	9.00	8.89	19.15
Diluted earnings per share	6.18	8.92	8.82	18.99
in CHF				
Basic earnings per share	7.03	9.44	10.03	20.11
Diluted earnings per share	6.98	9.36	9.96	19.94

¹ 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.

Consolidated balance sheets (unaudited)

Assets	in USD millions, as of	06/30/09	12/31/08	12/31/07
	Investments			
	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
	Total investments	275,472	257,773	315,693
	Reinsurers' share of reserves for insurance contracts ¹	19,229	18,595	26,970
	Deposits made under assumed reinsurance contracts	3,006	2,397	1,359
	Deferred policy acquisition costs	15,509	14,323	14,941
	Deferred origination costs	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	1,802	1,677	1,553
	Other intangible assets	6,914	6,633	3,083
	Total assets	348,760	327,944	389,342

¹ 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.

Liabilities
and equity

in USD millions, as of	06/30/09	12/31/08	12/31/07
Liabilities			
Reserve for premium refunds	636	620	625
Liabilities for investment contracts	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 ¹	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	1,885	2,527	1,663
Senior and subordinated debt	10,456	8,455	8,300
Total liabilities	321,818	304,163	360,023
Equity			
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
Common shareholders' equity	24,650	21,542	28,273
Preferred securities	561	561	671
Shareholders' equity	25,211	22,103	28,945
Non-controlling interests	1,731	1,678	374
Total equity	26,942	23,781	29,318
Total liabilities and equity	348,760	327,944	389,342

¹ 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.

Consolidated statements of cash flows (unaudited)

in USD millions, for the six months ended June 30	2009	2008
Cash flows from operating activities		
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, gross¹</i>	3,409	(12,208)
<i>Reinsurers' share of reserves for insurance contracts¹</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)
Net cash (used in)/provided by operating activities	1,461	6,502

¹ 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.

in USD millions, for the six months ended June 30	2009	2008
Cash flows from investing activities		
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
Net cash used in investing activities	(111)	(307)
Cash flows from financing activities		
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)
Net cash from (used in) financing activities	1,649	(2,714)
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 ¹	3,678	4,089
Cash and cash equivalents as of January 1, excluding cash held as collateral for securities lending	16,711	15,251
Cash and cash equivalents as of June 30, excluding cash held as collateral for securities lending	20,389	19,340
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
Cash and cash equivalents as of June 30, including cash held as collateral for securities lending	20,782	20,517
of which:		
– cash and cash equivalents – Group Investments	15,554	14,805
– cash and cash equivalents – unit linked	5,228	5,712
Other supplementary cash flow disclosures		
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
	Total	20,782	20,517

Shareholder information

Zurich Financial Services Ltd Registered Share Data

Key indicators

	6/30/09	6/30/08
Number of shares issued ¹	146,922,620	142,114,320
Number of dividend-bearing shares ²	146,922,620	142,114,320
Market capitalization (in CHF millions at end of period)	28,121	37,163
Authorized capital, number of shares	5,200,000	6,000,000
Contingent capital, number of shares	13,194,279	8,684,407

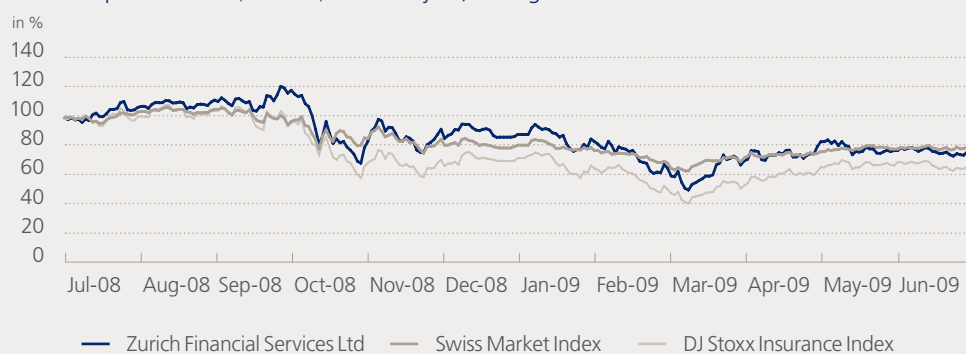
¹ As registered with the Commercial Registry.
² Treasury shares are not entitled to dividends.

Per share data

in CHF	6/30/09	6/30/08
Gross dividend	11.00 ¹	15.00 ²
Basic earnings per share	10.03	20.11
Diluted earnings per share	9.96	19.94
Nominal value per share	0.10	0.10
Price at end of period	191.40	261.50
Price period high	245.00	336.50
Price period low	127.80	257.75

¹ Gross dividend per registered share; payment date was on April 7, 2009.
² Gross dividend per registered share; payment date was on April 8, 2008.

Zurich share performance (indexed) over one year, ending June 2009



Source: Thomson Reuters

Financial calendar

Results Reporting for the Nine Months
to September 30, 2009
November 5, 2009

Annual Results Reporting 2009
February 4, 2010

Annual General Meeting 2010
March 30, 2010

Results Reporting for the Three Months
to March 31, 2010
May 6, 2010

Half Year Results Reporting 2010
August 5, 2010

Results Reporting for the Nine Months
to September 30, 2010
November 4, 2010

Contact information

Registered Office

Zurich Financial Services Ltd
Mythenquai 2
8002 Zurich, Switzerland

Group Media Relations

Zurich Financial Services Ltd, Switzerland
Telephone: +41 (0)44 625 21 00
E-mail: media@zurich.com

Investor Relations

Zurich Financial Services Ltd, Switzerland
Telephone: +41 (0)44 625 22 99
E-mail: investor.relations@zurich.com

Share Register Services

Zurich Financial Services Ltd, Switzerland
Telephone: +41 (0)44 625 22 55
E-mail: shareholder.services@zurich.com

Corporate Responsibility

Group Government and Industry Affairs
Zurich Financial Services Ltd, Switzerland
Telephone: +41 (0)44 639 20 15
E-mail: corporate.responsibility@zurich.com

Securities Custody Service

Zurich Financial Services Ltd,
Custody Accounts
c/o SIX SAG AG
P.O. Box, 4601 Olten, Switzerland
Telephone: +41 (0)62 311 61 45
Fax: +41 (0)62 205 39 71
Web site: www.six-sag.com

American Depositary Receipts

Zurich Financial Services Ltd has an American Depositary Receipt program with The Bank of New York Mellon (BNY). For more information call BNY Mellon's Shareowner Services in the USA at +1-888-BNY-ADRs (1-888-269-2377) or outside the USA on +1-212-815-3700. ADR holder assistance may also be obtained from The Bank of New York Mellon at www.adrbny.com

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.

The Letter to Shareholders is published in English, German and French. In the case of inconsistencies in the German and French translations, the English original version shall prevail.

Design by Addison, www.addison.co.uk

Production by Multimedia Solutions AG, Zurich, Switzerland

This document is printed on Hello Silk paper. The paper is made from 100% virgin wood fiber from well-managed forests independently certified according to the rules of the Forest Stewardship Council (FSC). It is manufactured at a mill that is certified to ISO14001 and EMAS environmental standards. The mill uses pulps that are totally chlorine-free (TCF), and some pulp is bleached using an elemental chlorine-free (ECF) process. The inks used in printing this report are all vegetable based.

Printed end of August 2009 by St Ives Westerham Press Ltd., England ISO14001, FSC certified and CarbonNeutral®



Mixed Sources

Product group from well-managed forests, controlled sources and recycled wood or fiber

Cert no. SGS-COC-1732

www.fsc.org

© 1996 Forest Stewardship Council

Zurich Financial Services Group

Mythenquai 2
8002 Zurich, Switzerland
Phone +41 (0)44 625 25 25
www.zurich.com

46828-0908

Because change happenz™

