Zurich Financial Services Group

ZURICH

Letter to Shareholders 2009

Results for the Nine Months to September 30, 2009

Zurich HelpPoint

Here to help your world.

We aim to position Zurich for success under any economic recovery scenario, and will continue to serve our shareholders, customers and other stakeholders with confidence.

Dear Shareholder,

It is our pleasure to present you with Zurich's nine-month 2009 results, including our 27th consecutive quarter of profitability. Operationally, our core businesses generated a solid set of results, achieving a net income of USD 2.2 billion, generating USD 4.1 billion in business operating profit, and exceeding our 16 percent business operating profit after tax return on equity mid-term target. Our shareholder equity increased by 29 percent over year-end and we posted a Solvency I margin of over 200 percent, underlining our continued focus on maintaining a strong, high-quality balance sheet and solidifying our position as one of the best capitalized companies in our sector.

Zurich strongly believes that balance sheet strength is critical during these still uncertain times, and our third quarter results reflect a delicate balance between net income generation and capital preservation. By striking that balance we aim to position Zurich for success under any economic recovery scenario, and will continue to serve our shareholders, customers and other stakeholders with confidence.

Reflecting the successful integration of 21st Century, Farmers Management Services increased management fees and other related revenues by 8 percent, to USD 2.0 billion. The Global Life segment – effectively driving results through its enhanced product and distribution strategy – increased annualized premium equivalent by 5 percent (or 17 percent in local currencies) while generating new business value after tax up by 2 percent (or 11 percent in local currencies). General Insurance was impacted by the reduced economic activity the most, with gross written premiums and policy fees of USD 26.3 billion down 10 percent (or 3 percent in local currencies), but effective cost management and rate increases on average of 3.2 percent allowed it to post an improved combined ratio of 96.9 percent, with expense ratios staying level despite lower premium levels. These rate increases, which cut across geographies and business lines, highlight the significance of our continued focus on rigourous risk management and financial discipline.

Given continued economic uncertainty we have been exceptionally mindful to maintain our focus on profitable growth and operational transformation. We have done this by continuing to expand our product range and distribution capabilities organically and through the ongoing integration of acquisitions in the U.S., Europe and Brazil. We have also stood by our commitment to take all our decisions with a profound appreciation for the fundamentals of risk. Finally, we are well on track to meet or even exceed our targets to deliver benefits under The Zurich Way initiatives in the amount of USD 900 million after tax, and to meet our expense saving target of USD 400 million in the current year.

In closing, we would like to take this opportunity to express our thanks to our shareholders for their enduring support, and to express our deep respect and appreciation for the 60,000 employees who have steadfastly made such great results possible. Every success has been won through their untiring efforts, and we have every confidence that those successes will continue under Martin Senn's leadership in 2010.

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 Results Reporting for the Nine Months to September 30, 2009 available on www.zurich.com, and is unaudited. This document should be read in conjunction with the Zurich Financial Services Group Financial Report 2008 and its unaudited consolidated financial statements as of September 30, 2009. Comparatives are for the nine months ended September 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 nine months ended September 30, unless otherwise stated	2009	2008	Change[1]
Business operating profit	**4,066**	4,185	(3%)
Net income attributable to shareholders	**2,163**	2,834	(24%)
General Insurance gross written premiums and policy fees	**26,321**	29,207	(10%)
Global Life gross written premiums, policy fees and insurance deposits	**17,406**	15,060	16%
Farmers Management Services management fees and other related revenues	**1,973**	1,831	8%
Farmers Re gross written premiums and policy fees	**4,964**	2,346	nm
General Insurance business operating profit	**2,508**	2,578	(3%)
General Insurance combined ratio	**96.9%**	98.7%	1.9 pts
Global Life business operating profit	**1,157**	1,232	(6%)
Global Life new business annual premium equivalent (APE)	**2,392**	2,282	5%
Global Life new business margin, after tax (as % of APE)	**21.8%**	22.4%	(0.6 pts)
Global Life new business value, after tax	**520**	511	2%
Farmers business operating profit	**1,132**	996	14%
Farmers Management Services gross management result	**950**	875	9%
Farmers Management Services managed gross earned premium margin	**7.2%**	7.1%	0.1 pts
Group investments average invested assets[2]	**189,780**	185,308	2%
Group investments result, net	**4,325**	4,728	(9%)
Group investments return (as % of average invested assets)	**2.3%**	2.6%	(0.3 pts)
Shareholders' equity[3]	**28,508**	22,103	29%
Diluted earnings per share (in USD)	**15.04**	20.14	(25%)
Diluted earnings per share (in CHF)	**16.63**	21.28	(22%)
Book value per share (in CHF)[3]	**201.14**	167.92	20%
Return on common shareholders' equity (ROE)	**11.6%**	14.5%	(2.9 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)	**16.9%**	16.4%	0.5 pts

[1] Parentheses around numbers represent an adverse variance.
[2] Excluding average cash received as collateral for securities lending of USD 493 million and USD 1.5 billion in the nine months ended September 30, 2009 and 2008, respectively.
[3] As of September 30, 2009 and December 31, 2008, respectively.

Performance overview for the nine months ended September 30, 2009

Against the backdrop of the recent economic environment we have delivered a strong set of financials for the nine months ended September 30, 2009, with our operating performance for the discrete third quarter 2009 increasing for the fourth consecutive time from the low point reached in the third quarter 2008. This was supported by our cost reduction initiatives, which are on track to deliver their targeted USD 400 million savings in 2009. In parallel, we continued to focus on our capital and solvency positions which remained strong with shareholders' equity increasing by 29 percent compared with December 31, 2008, bringing us close to the record shareholders' equity level of USD 29 billion at the end of 2007, and our Solvency I position increasing by 49 percentage points since December 31, 2008 to 209 percent. These results have been achieved despite a deterioration of the performance of our Non-Core Businesses which now include our Banking activities. Our core underlying insurance operations of General Insurance and Global Life as well as our Farmers business, comprising both the fee based business of Farmers Management Services and Farmers Reinsurance, performed robustly. Lower yield and dividend levels significantly reduced our investment income while the quality of our investment portfolio remained unchanged. Our business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) for the nine months ended September 30, 2009 was 16.9 percent.

Business operating profit decreased by USD 119 million or 3 percent to USD 4.1 billion in U.S. dollar terms but increased by 2 percent on a local currency basis, with all core operating segments improving their performance on a local currency basis.

- **General Insurance** business operating profit decreased by USD 70 million or 3 percent to USD 2.5 billion in U.S. dollar terms but increased by USD 91 million, or 4 percent on a local currency basis. The increase in local currency was driven by an improved underwriting result primarily due to lower levels of natural catastrophe losses, partially offset by a lower investment result and higher non-technical expenses mainly attributable to foreign exchange impacts and one-off benefits in the same period in 2008.

- **Global Life** business operating profit decreased by USD 75 million or 6 percent to USD 1.2 billion in U.S. dollar terms but increased by USD 43 million or 4 percent on a local currency basis. 2009 experienced a higher level of one-off benefits compared with the same period 2008, which drove the overall improvement in local currency. The underlying performance of our businesses remained strong as our business model enabled us to respond effectively to the difficult economic environment.

- **Farmers** business operating profit increased by USD 136 million or 14 percent to USD 1.1 billion. **Farmers Management Services** business operating profit increased by USD 73 million, or 8 percent, over the prior period. This increase was driven by growth in fee income from the acquired businesses in the Farmers Exchanges as well as strict expense discipline. The recently acquired business of 21st Century added USD 34 million to the increase. **Farmers Re** business operating profit increased by USD 64 million to USD 141 million as both the underwriting performance and investment income improved as a result of the increased participation in the All Lines quota share reinsurance treaty.

Other Operating Businesses business operating loss improved by USD 244 million to a loss of USD 298 million primarily arising from gains on buy-backs of subordinated debt executed against advantageous market conditions.

The **Non-Core Businesses**, comprising the Group's run-off businesses and, for the first time, the Group's banking activities which are no longer seen to support the core insurance business but viewed as a useful adjunct to it, reported a business operating loss of USD 433 million. The loss primarily resulted from an increase in certain life insurance reserves predominantly addressing policyholders' behaviour and from increased loan loss provisions in our banking operations.

Business volumes in our main operating segments developed as follows:

- **General Insurance** gross written premiums and policy fees decreased by 10 percent to USD 26.3 billion in U.S. dollar terms and by 3 percent on a local currency basis, primarily driven by North America Commercial, where we experienced decreases in insured exposures exceeding realized rate increases. Europe General Insurance decreased slightly in a difficult market environment particularly affecting our personal lines business. Global Corporate showed growth in local currency terms primarily as a result of our initiatives to drive rate increases. International Markets achieved growth in local currency as a result of organic growth and our acquisition in Brazil.

- **Global Life** gross written premiums, policy fees and insurance deposits increased by 16 percent to USD 17.4 billion in U.S. dollar terms and by 32 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 and by strong growth in Latin America.

- **Farmers Management Services** management fees and other related revenues increased by 8 percent to USD 2.0 billion reflecting the underlying increase in the gross earned premiums of 7 percent in the Farmers Exchanges, which we manage but do not own. 21st Century, which was acquired on July 1, 2009, contributed USD 108 million in revenue while Small Business Solutions generated an increase in revenue of USD 36 million compared with the prior period reflecting its acquisition from Zurich North America in June 2008. **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 the increase in assumed written premiums.

Net income attributable to shareholders decreased by USD 671 million to USD 2.2 billion. The decrease primarily resulted from a one-time benefit in 2008 and charges of USD 210 million in 2009 from costs associated with hedges protecting our economic solvency position included in net capital gains/(losses) on investments and impairments. The **shareholders' effective tax rate** was 22.4 percent for the nine months ended September 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 nine months ended September 30, 2009 was adversely impacted by profit mix as well as taxable losses in jurisdictions without a corresponding tax benefit.

Compared with the nine months ended September 30, 2008, **ROE** decreased by 2.9 percentage points to 11.6 percent while **BOPAT ROE** increased by 0.5 percentage points to 16.9 percent. **Diluted earnings per share** decreased by 22 percent to CHF 16.63 for the nine months ended September 30, 2009, compared with CHF 21.28 for the same period in 2008. The corresponding diluted earnings per share movement in U.S. dollars was a decrease of 25 percent to USD 15.04.

General Insurance

in USD millions, for the nine months ended September 30	2009	2008	Change
Gross written premiums and policy fees	26,321	29,207	(10%)
Net earned premiums and policy fees	21,686	23,849	(9%)
Insurance benefits and losses, net of reinsurance	(15,489)	(17,506)	12%
Net underwriting result	681	302	nm
Net investment income	2,297	2,847	(19%)
Net non-technical result (excl. items not included in BOP)	(556)	(508)	(9%)
Business operating profit	**2,508**	**2,578**	**(3%)**
Loss ratio	71.4%	73.4%	2.0 pts
Expense ratio	25.4%	25.3%	(0.1 pts)
Combined ratio	**96.9%**	**98.7%**	**1.9 pts**

We are continuing to focus on underwriting and expense discipline which has led to a solid operating performance and which is allowing us to continue our investments in operational transformation and profitable growth. However, the General Insurance business in North America is continuing to face a challenging environment and, in addition, the effects of the financial crisis are becoming more visible in the economic activity in Europe.

Business operating profit decreased by USD 70 million to USD 2.5 billion or 3 percent in U.S. dollar terms but increased by USD 91 million or 4 percent on a local currency basis. The increase measured in local currency was mainly attributable to an improved underwriting result partially offset by lower investment returns as well as higher non-technical expenses due to foreign currency exchange impacts and non-recurring one-off benefits in the same period of 2008.

Maintaining our underwriting discipline and following our technical pricing methodology, we achieved rate increases of 3.2 percentage points with retention and new business levels affected in some markets as a consequence. This was a direct result of our Lead the Market initiative implemented last fall, which was our response to the market turmoil at the end of 2008. **Gross written premiums and policy fees** decreased by 10 percent or by USD 2.9 billion to USD 26.3 billion in U.S. dollar terms and by 3 percent on a local currency basis. The reduction measured in local currency was primarily driven by North America Commercial where certain segments of the business were heavily affected by the economic environment. Rate improvements have been more than offset by the effects of the reduction in customer exposures such as payroll and sales. Europe General Insurance has also been impacted by the challenging market conditions resulting in lower premium volumes in local currency terms. Local currency growth of 2 percent was achieved in Global Corporate through rate increases and International Markets has grown by 5 percent through acquisitions and organic growth.

The **net underwriting result** increased by USD 379 million to USD 681 million with the combined ratio at 96.9 percent having improved by 1.9 percentage points compared with the prior period in 2008. Overall the loss ratio in the first nine months of 2009 improved 2.0 percentage points mainly due to favorable developments in catastrophe and large loss experience as well as an improvement in the attritional loss ratio reflecting our rating actions. This improvement was partially offset by lower levels of favorable development of reserves established in prior years which included a charge for UK asbestos which is affecting Global Corporate and Europe General Insurance. This was due to revised industry assumptions, mainly the revised Health & Safety Executive projections, as well as changes in claims experience. Despite reductions in premium volumes, our expense ratio remained largely flat as we continued to focus on expense management.

Global Life

in USD millions, for the nine months ended September 30	2009	2008	Change
Insurance deposits	8,656	7,852	10%
Gross written premiums and policy fees	8,750	7,208	21%
Net investment income on Group investments	3,013	3,319	(9%)
Insurance benefits and losses, net of reinsurance	(7,521)	(5,675)	(33%)
Underwriting and policy acquisition costs, net of reinsurance	(678)	(1,441)	53%
Administrative and other operating expenses	(1,560)	(1,545)	(1%)
of which:			
Amortization and impairments of intangible assets	(257)	(161)	(59%)
Interest expense on debt	(71)	(21)	(238%)
Business operating profit	**1,157**	**1,232**	**(6%)**
Total reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts[1]	177,318	154,700	15%
Assets under management[1, 2]	210,520	180,416	17%
Embedded value – highlights			
New business annual premium equivalent (APE)	**2,392**	**2,282**	**5%**
Present value of new business premiums (PVNBP)	18,724	17,583	6.5%
New business margin, after tax (as % of APE)	**21.8%**	**22.4%**	**(0.6 pts)**
New business margin, after tax (as % of PVNBP)	2.8%	2.9%	(0.1 pts)
New business value, after tax	**520**	**511**	**2%**

[1] As of September 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, for which we earn fees.

Global Life continues to report 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. New business value has improved in each successive quarter this year, with expense efficiency and focused efforts to shift the new business mix towards protection business improving margins through the current year.

New business annual premium equivalent (APE) increased by USD 109 million to 2.4 billion or by 5 percent in U.S. dollar terms and by 17 percent in local currency. Growth in Spain was USD 412 million, of which USD 389 million resulted from the businesses acquired in the third quarter of 2008. In the UK, APE decreased by 19 percent in U.S. dollar terms but increased by 3 percent on a local currency basis, driven by higher long-term savings sales and successful sales through our major banking partners. In the Americas, APE increased by 2 percent in U.S. dollar terms and by 9 percent on a local currency basis, driven by growth in Latin America from Corporate Life & Pensions sales, and our success in gaining participation in the reformed social security system in Chile. In Germany, APE decreased by 20 percent in U.S. dollar terms, and by 11 percent on a local currency basis, as 2008 included a benefit from the final step-up of premiums in state subsidized pension contracts that increased unit-linked sales. APE in Emerging Markets in Asia decreased by 15 percent in U.S. dollar terms and on a local currency basis as a result of reduced sales in Hong Kong and in the International/Expats business of Zurich International Solutions (ZIS) due to the recent market conditions. In Ireland, where the market declined over 34 percent, APE decreased by 11 percent in U.S. dollar terms, while staying flat on a local currency basis as a result of strong growth in Corporate Life & Pensions business offseting lower IFA/Broker sales. APE in the Rest of the World increased by 5 percent in U.S. dollar terms and by 18 percent on a local currency basis primarily related to Italy with successful Bank Distribution activities including sales through the Finanza e Futuro distribution channel acquired in 2008 in Italy.

New business value, after tax, increased by USD 9 million to USD 520 million or by 2 percent in U.S. dollar terms and by 11 percent on a local currency basis, benefiting from increased new business value in both individual and corporate protection products. By country, the new business value improved from increased volumes in Spain, improved margins in the UK, higher sales volumes in Latin America, and the benefit of lower interest rates for protection products in the U.S. and Australia. This improvement was partially offset by the negative impact of lower interest rates on savings products in Germany and Switzerland as well as the lower sales in the Agent pillar in Hong Kong due to the market conditions earlier in the year. Overall the new business margin after tax decreased by 0.6 percentage points to 21.8 percent compared with the prior period.

Business operating profit decreased by USD 75 million to USD 1.2 billion, or by 6 percent in U.S. dollar terms, but an increase of 4 percent on a local currency basis. In the U.S., business operating profit included a one-off benefit of USD 182 million due to updated mortality assumptions. The underlying result of the Americas businesses overall remained strong. Improved investment results drove the increase in business operating profit in Switzerland. Changes to actuarial assumptions benefited Hong Kong, contributing to the improved underlying result in Emerging Markets in Asia. In the UK, USD 60 million of the reduction of USD 122 million in business operating profit reported in U.S. dollars resulted from currency translation effects. The UK underlying performance in local currency was reduced by financial market effects, adverse claims experience, and a one-time benefit in 2008, from external and intra-group transactions reducing its exposure to non-core annuity business. This was partly offset in 2009 by reduced amortization of deferred acquisition costs and intangible assets as a result of assumption changes. In Germany, the result declined due to changes in actuarial assumptions and in Ireland, the result decreased due to investments in the European Hub operating infrastructure. In Italy, included in the Rest of the World, and in Spain, the business operating profit before interest, depreciation and amortization improved significantly, with costs of financing and amortization of intangible assets from recent acquisitions adversely impacting the overall business operating profit.

Insurance deposits increased by 10 percent in U.S. dollar terms to USD 8.7 billion and by 28 percent on a local currency basis, primarily driven by the businesses acquired in Spain in the third quarter of 2008 and an increase in the UK.

Gross written premiums and policy fees increased by 21 percent in U.S. dollar terms to USD 8.7 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 Americas, which was partially offset by decreases in the UK, Germany and Switzerland.

Net reserves increased by 15 percent in U.S. dollar terms and by 8 percent in local currency, compared with December 31, 2008. On a local currency basis, the increase was primarily driven by market improvement for unit-linked insurance and investment contracts, as well as growth in traditional reserves.

Assets under management increased by 17 percent in U.S. dollar terms and by 10 percent on a local currency basis, compared with December 31, 2008. Assets under management benefited from policyholder net inflows of USD 2.6 billion for the nine months ended September 30, 2009 driven by new business flows as well as focused efforts on in-force management.

Farmers

Farmers business operating profit was USD 1.1 billion, compared with USD 996 million in the first nine months of 2008. Farmers Management Services contributed USD 992 million compared with USD 919 million in the prior period and Farmers Re was USD 141 million compared with USD 77 million in the prior period.

Farmers Management Services

in USD millions, for the nine months ended September 30	**2009**	2008	Change
Management fees and other related revenues	1,973	1,831	8%
Management and other related expenses	(1,023)	(956)	(7%)
Gross management result	950	875	9%
Other net income	41	44	(7%)
Business operating profit	**992**	**919**	**8%**
Managed gross earned premium margin	7.2%	7.1%	0.1 pts

Business operating profit increased by USD 73 million or 8 percent to USD 992 million. This increase was driven by USD 34 million of business operating profit as a result of the acquisition of 21st Century, in July 2009, by disciplined expense management and by an improvement of USD 11 million from Small Business Solutions, for which the rights to renew policies were acquired by the Farmers Exchanges from Zurich North America in June 2008.

Management fees and other related revenues increased by 8 percent to USD 2.0 billion driven by a 7 percent increase in gross earned premiums in the Farmers Exchanges. 21st Century contributed USD 108 million to revenues while Small Business Solutions generated an increase in revenue of USD 36 million compared with the prior period. Management and other related expenses increased by 7 percent, or USD 67 million, as a result of 21st Century and Small Business Solutions. Excluding the increase in expenses from these new businesses, underlying expenses decreased by USD 31 million between periods 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 75 million, or 9 percent while the managed gross earned premium margin improved by 0.1 percentage points to 7.2 percent from 7.1 percent.

Other Operating Businesses

in USD millions, for the nine months ended September 30	2009	2008	Change
Business operating profit:			
Holding and financing	(255)	(516)	51%
Headquarters	(20)	(12)	(66%)
Alternative investments	(23)	(13)	(72%)
Total business operating profit	**(298)**	**(542)**	**45%**

Holding and financing business operating loss improved by USD 261 million to a loss of USD 255 million. This improvement was primarily driven by gains of USD 210 million resulting from buy-backs of subordinated debt and a favorable impact from movements in foreign currencies. **Headquarters** reported a business operating loss of USD 20 million compared with USD 12 million in the prior period. Higher branding expenses due to earlier phasing of marketing campaigns and lower revenues from reduced charges to our operating businesses were partially offset by lower gross expenses resulting from a variety of expense management actions.

Non-Core Businesses

in USD millions, for the nine months ended September 30	2009	2008	Change
Business operating profit:			
Centre	118	(5)	nm
Banking activities	(141)	56	nm
Centrally managed businesses	(417)	(241)	(73%)
Other run-off	6	112	(94%)
Total business operating profit	**(433)**	**(79)**	**nm**

Centre business operating profit improved by USD 123 million to USD 118 million, driven by positive capital market impacts from interest rate and credit spread developments on an insurance portfolio where both assets and liabilities are carried at fair value. **Banking activities** decreased by USD 196 million to a loss of USD 141 million predominantly driven by an increase in loan loss provisions compared with the prior period of USD 176 million, primarily reflecting adverse developments in the Irish property market. **Centrally managed businesses**, which comprise portfolios that we manage with the intention to achieve a profitable run-off over time, decreased by USD 175 million to a loss of USD 417 million, primarily resulting from an increase of certain life insurance reserves addressing policyholders' behavior. **Other run-off** experienced one-off benefits in 2008 which were not repeated in the current period.

Investment Position and Performance

Breakdown of investments

in USD millions, as of	Group investments		Unit-linked investments	
	09/30/09	12/31/08	09/30/09	12/31/08
Cash and cash equivalents	12,321	12,428	5,554	4,460
Equity securities:	15,413	14,303	75,047	60,154
Common stocks, including equity unit trusts	9,482	8,957	65,298	51,276
Unit trusts (debt securities, real estate and short-term investments)	4,605	3,930	9,750	8,879
Common stock portfolios backing participating with-profit policyholder contracts	658	630	–	–
Trading equity portfolios in capital markets and banking activities	668	786	–	–
Debt securities	136,136	118,287	9,734	9,510
Real estate held for investment	7,920	7,524	3,669	4,077
Mortgage loans	13,060	12,820	–	–
Policyholders' collateral and other loans	15,891	13,988	2	2
Investments in associates	233	220	–	–
Total	**200,975**	**179,570**	**94,007**	**78,203**

Group investments have increased by 12 percent or USD 21.4 billion to USD 201.0 billion since December 31, 2008. After excluding the effect of foreign currency translation, Group investments increased by 7 percent as a result of recovering capital markets and new cash.

Unit-linked investments increased by USD 15.8 billion or 20 percent in U.S. dollar terms to USD 94.0 billion since December 31, 2008. After excluding currency translation effects, unit-linked investments increased by USD 9.5 billion or 12 percent, primarily as a result of higher equity valuations following the recovery of markets during the third quarter of 2009. This increase is mirrored in higher unit-linked insurance and investment contract liabilities.

The quality of our investment portfolio remains high. Investment grade securities comprise 98.4 percent of our debt securities, of which 54.7 percent are rated AAA as of September 30, 2009. Our investment policy remains conservative and we continue to selectively reduce those risks for which we believe we are not appropriately compensated or which incur high regulatory capital costs.

Performance of Group investments

in USD millions, for the nine months ended September 30	2009	2008	Change
Net investment income	5,569	6,534	(15%)
Net capital gains/(losses) on investments and impairments	(1,245)	(1,807)	31%
of which: net capital gains/(losses) on investments and impairments attributable to shareholders	(1,277)	(1,109)	(15%)
Net investment result	4,325	4,728	(9%)
Net investment return on Group investments[1]	**2.3%**	**2.6%**	**(0.3 pts)**
Movements in net unrealized gains/(losses) on investments included in total equity	5,861	(5,495)	nm
Total investment result, net of investment expenses[2]	**10,185**	**(767)**	**nm**
Average group investments[3]	189,780	185,308	2%
Total return on Group investments[1]	**5.4%**	**(0.4%)**	**5.8 pts**

[1] Net investment and total return are not annualized.
[2] After deducting investment expenses of USD 168 million and USD 189 million for the nine months ended September 30, 2009 and 2008, respectively.
[3] Excluding average cash received as collateral for securities lending of USD 493 million and USD 1.5 billion in the nine months ended September 30, 2009 and 2008, respectively.

Total return, net of investment expenses, on average Group investments was positive 5.4 percent. Debt securities, which are invested to match our insurance liability profiles, returned a positive 6.4 percent. Equity securities returned a positive 8.6 percent. Other investments, which include real estate, mortgages and cash balances, returned in aggregate a positive 2.0 percent.

Total **net investment income** decreased by USD 965 million, or 15 percent in U.S. dollar terms to USD 5.6 billion. USD 517 million of this decrease arose from currency translation effects. Net investment income yield was 2.9 percent, a decrease of 60 basis points compared with the prior period. This decrease was driven by cash balances yielding at lower rates and lower income from equity securities.

Total **net capital losses on investments and impairments** were USD 1.2 billion comprising net realized losses of USD 324 million, impairments of USD 1.1 billion and net positive revaluations of USD 196 million. Net realized losses of USD 324 million mainly arose from equity and debt securities. Impairments of USD 491 million were attributable to equity securities and USD 625 million were attributable to debt securities and mortgages. The net positive revaluation gain was mainly driven by gains on equity and debt securities of USD 459 million and on real estate of USD 140 million which were partially offset by losses on derivatives of USD 399 million, including losses of USD 210 million of hedges supporting our economic solvency.

As of September 30, 2009, **net unrealized gains** were USD 1.6 billion compared with net unrealized losses of USD 4.3 billion at December 31, 2008 resulting in an improvement of USD 5.9 billion included in the total investment return for the nine months ended September 30, 2009. As a result of the rise in major global equity markets, unrealized losses on equity securities improved by USD 1.4 billion, while narrowing credit spreads and falling yields on government debt had a positive impact of USD 4.5 billion.

Performance of unit-linked investments

in USD millions, for the nine months ended September 30	2009	2008	Change
Net investment income	1,192	2,510	(52%)
Net capital (losses)/gains on investments and impairments	8,734	(20,135)	nm
Net investment result, net of investment expenses[1]	9,927	(17,625)	nm
Average investments	86,105	108,572	(21%)
Total return on unit-linked investments[2]	**11.5%**	**(16.2%)**	**27.8 pts**

[1] After deducting investment expenses of USD 315 million and USD 559 million for the nine months ended September 30, 2009 and 2008, respectively.
[2] Total return is not annualized.

Total return on unit-linked investments improved by 27.8 percentage points to a positive return of 11.5 percent compared with a negative return of 16.2 percent in the prior period. The improvement in the total return was due to net capital gains of USD 8.7 billion compared with net capital losses of USD 20.1 billion in the prior period resulting from the improvement of the financial markets in the first nine months of 2009 compared with the adverse market conditions in the prior period. Investment income decreased by USD 1.3 billion or 52 percent, primarily due to lower dividend income on equity investments.

Financial Calendar

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

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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

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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.

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