Zurich Financial Services Group

ZURICH®

Letter to Shareholders 2010

Results for the Three Months to March 31, 2010

Zurich HelpPoint

Our achievements highlight our commitment to disciplined underwriting, sustained execution on our proven strategies, and continued success in pursuing savings as well as growth.

Dear Shareholder,

We are pleased to report the results of our strong operating performance over the first quarter of 2010, as demonstrated by a business operating profit increase of 19 percent to USD 1.3 billion, and a net income increase of 76 percent to USD 935 million.

We are proud to achieve these results in a period marked by severe natural perils, and despite continued weakness and uncertainty in our economic environment. The achievements of this three month period highlight our commitment to disciplined underwriting, sustained execution on our proven strategies, and our continued success in pursuing opportunities for savings as well as growth.

In our General Insurance segment, we delivered a business operating profit of USD 621 million, down 30 percent due mainly to the earthquake in Chile and weather-related losses. Our perspective at General Insurance has been and will remain on the long term, putting underwriting profit first. In our Global Life segment we continued to execute on our six pillar strategy, delivering a business operating profit of USD 351 million, up 58 percent over the first quarter of 2009. And at Farmers, business operating profit increased 43 percent to USD 462 million, reflecting an increase in the amount of business reinsured by the Farmers Exchanges to Zurich, continued efficiency gains and the integration of 21st Century that is progressing successfully and on schedule.

The economic outlook remains clouded by uncertainty. For this reason we are reinforcing our commitment to disciplined capital management across the Group, as evidenced in our Solvency I capital ratio of 212 percent. This strong solvency, along with our efforts in operational transformation, is a direct representation of our unwavering commitment to our customers' needs and we are confident it is the way to guide our company during these challenging times.

Finally, a word of thanks to the 60,000 employees of Zurich who are making these successes happen. We are extremely proud of their outstanding performance over this period and have full confidence in their ability to deliver even greater success going forward.

Manfred Gentz

Dr. Manfred Gentz
Chairman of the Board of Directors

Martin Senn

Martin Senn
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 Three Months to March 31, 2010 available on www.zurich.com, and is unaudited. This document should be read in conjunction with the Financial Report 2009 and the unaudited Consolidated Financial Statements as of March 31, 2010 for the Zurich Financial Services Group. Comparatives are for the three months ended March 31, 2009 or as of December 31, 2009 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 have been restated to reflect the change in accounting policy as set out in note 1 of the unaudited Consolidated Financial Statements available on www.zurich.com.

Financial Highlights

in USD millions, for the three months ended March 31, unless otherwise stated	2010	2009	Change[1]
Business operating profit	**1,259**	1,061	19%
Net income attributable to shareholders	**935**	532	76%
General Insurance gross written premiums and policy fees	**10,010**	9,814	2%
Global Life gross written premiums, policy fees and insurance deposits	**6,744**	5,529	22%
Farmers Management Services management fees and other related revenues	**703**	623	13%
Farmers Re gross written premiums and policy fees	**1,495**	1,056	42%
General Insurance business operating profit	**621**	889	(30%)
General Insurance combined ratio	**99.0%**	95.8%	(3.3 pts)
Global Life business operating profit	**351**	222	58%
Global Life new business annual premium equivalent (APE)	**833**	721	16%
Global Life new business margin, after tax (as % of APE)	**21.9%**	20.6%	1.3 pts
Global Life new business value, after tax	**183**	149	23%
Farmers business operating profit	**462**	324	43%
Farmers Management Services gross management result	**342**	311	10%
Farmers Management Services managed gross earned premium margin	**7.4%**	7.5%	(0.1 pts)
Group investments average invested assets[2]	**194,642**	176,692	10%
Group investments result, net	**1,970**	759	nm
Group investments return (as % of average invested assets)	**1.0%**	0.4%	0.6 pts
Shareholders' equity[3]	**28,206**	29,304	(4%)
Solvency I ratio[3]	**212%**[4]	195%	17 pts
Diluted earnings per share (in CHF)	**6.77**	4.37	55%
Book value per share (in CHF)[3]	**200.95**	183.31	10%
Return on common shareholders' equity (ROE)	**13.2%**	10.3%	3.0 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)	**13.5%**	15.5%	(2.1 pts)

[1] Parentheses around numbers represent an adverse variance.
[2] Excluding average cash received as collateral for securities lending of USD 327 million and USD 127 million in the three months ended March 31, 2010 and 2009, respectively.
[3] As of March 31, 2010 and December 31, 2009, respectively.
[4] After taking into account a dividend accrual of CHF 4.00 per share. The 2010 dividend proposed to the Annual General Meeting will be the decision of the Board in February 2011.

Performance overview for the three months ended March 31, 2010

Zurich Financial Services Ltd and its subsidiaries (collectively "the Group") delivered a strong set of financial results for the three months ended March 31, 2010. The Group's focus on profitability continued to pay off with robust operational performance across all businesses despite the significant impact on General Insurance from the Chilean earthquake. Growth was maintained in targeted areas, particularly in the Global Life and Farmers businesses. The Group's capital and solvency positions remain strong with a further increase of 17 percentage points in the Solvency I position since December 31, 2009 to 212 percent, and shareholders' equity down 4 percent over the same period to USD 28.2 billion following approval of the USD 2.2 billion dividend by shareholders. Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) for the three months ended March 31, 2010 was 13.5 percent.

Business operating profit increased by USD 198 million or 19 percent to USD 1.3 billion in U.S. dollar terms and by 21 percent on a local currency basis.

- **General Insurance** business operating profit decreased by USD 268 million or 30 percent to USD 621 million in U.S. dollar terms and by USD 255 million or 29 percent on a local currency basis. Continued focus on profitability and rate increases positively impacted the underwriting result for the period, compensating for the decline in investment yields. However, the Group experienced a higher level of event driven losses including USD 200 million from the Chilean earthquake, high weather related losses and a further deterioration in the UK personal lines motor book.

- **Global Life** business operating profit increased by USD 128 million or 58 percent to USD 351 million in U.S. dollar terms, and by USD 123 million or 55 percent on a local currency basis. During the first three months of 2010, Global Life benefited from the recovery in global financial markets and generated higher fee income and investment margins, as well as improved risk margins.

- **Farmers** business operating profit increased by USD 138 million or 43 percent to USD 462 million. **Farmers Management Services** business operating profit increased by USD 29 million, or 9 percent, over the same period in the prior year. **Farmers Re** business operating profit increased by USD 109 million to USD 111 million, reflecting its increased participation in the All Lines quota share reinsurance treaty, favorable weather impacts and underlying underwriting trends.

Other Operating Businesses business operating loss increased by USD 156 million to USD 199 million as a result of higher Headquarters expenses due to the timing of spending, higher funding costs and gains from debt buy-back in the same period of the prior year, not repeated in the current period.

Non-Core Businesses, comprising the Group's run-off businesses and the Group's banking activities which are no longer seen to support the core insurance business but are viewed as a useful adjunct to it, reported a business operating profit of USD 24 million compared with a loss of USD 331 million in the same period of the prior year. The increase mainly resulted from improved financial markets leading to a decrease in value of certain insurance liabilities. The implementation of a dynamic hedge strategy, followed by the change in accounting policy in the first three months of 2010 will reduce future volatility and economic exposure.

Total Group business volumes comprising gross written premiums, policy fees, insurance deposits and management fees increased by USD 1.9 billion or 11.3 percent in U.S. dollar terms and by 5.5 percent on a local currency basis, aligned to the Group's ability to grow selectively in line with strategic objectives. Business volumes in the main operating segments developed as follows:

- **General Insurance** gross written premiums and policy fees increased by USD 196 million or 2 percent to USD 10.0 billion in U.S. dollar terms, while decreasing by 4 percent on a local currency basis. Average rate increases of 2.3 percentage points were achieved through continuing disciplined underwriting focused on profit margin. In addition, renewal retentions increased over the same period in the prior year. However, these positive actions did not fully compensate for the impact of the economic environment and competitive markets which led to lower levels of new business as well as reduced volume of insured customer exposures.

- **Global Life** gross written premiums, policy fees and insurance deposits increased by USD 1.2 billion or 22 percent to USD 6.7 billion in U.S. dollar terms and by 14 percent on a local currency basis. This increase generated entirely by existing business was primarily driven by steadily increasing cross-border sales, a recovery in the single premium savings products, and continued development in the private banking and corporate pension businesses.

- **Farmers Management Services** management fees and other related revenues increased by USD 80 million or 13 percent to USD 703 million reflecting the underlying increase of 11 percent in the gross earned premiums of the Farmers Exchanges, which the Group manages but does not own. 21st Century, which was acquired on July 1, 2009, contributed USD 92 million to the increase in fees and revenues. **Farmers Re's** assumed written premiums reflect the increased participation in the All Lines quota share reinsurance treaty with the Farmers Exchanges of 35 percent in the three months to March 31, 2010 compared with 25 percent in the same period in the prior year.

Net income attributable to shareholders increased by USD 403 million to USD 935 million benefiting from improved financial market conditions. The **shareholders' effective tax rate** was 24.5 percent for both the three months ended March 31, 2010 and 2009. This compares with 22.7 percent for the year ended December 31, 2009.

ROE increased by 3.0 percentage points to 13.2 percent. **BOPAT ROE** decreased by 2.1 percentage points to 13.5 percent with the increase in business operating profit offset by the higher level of shareholders' equity. **Diluted earnings per share** increased by 55 percent to CHF 6.77 for the three months ended March 31, 2010, compared with CHF 4.37 for the same period in 2009.

General Insurance

in USD millions, for the three months ended March 31	2010	2009	Change
Gross written premiums and policy fees	10,010	9,814	2%
Net earned premiums and policy fees	7,030	6,956	1%
Insurance benefits and losses, net of reinsurance	(5,073)	(4,870)	(4%)
Net underwriting result	68	295	(77%)
Net investment income	721	762	(5%)
Net non-technical result (excl. items not included in BOP)	(168)	(180)	7%
Business operating profit	**621**	**889**	**(30%)**
Loss ratio	72.2%	70.0%	(2.2 pts)
Expense ratio	26.9%	25.7%	(1.1 pts)
Combined ratio	**99.0%**	**95.8%**	**(3.3 pts)**

General Insurance continued to deliver a solid operating performance. Rate increases implemented more than a year ago are now earning into the results with benefits to the underlying loss ratio, compensating for falling investment yields and thus protecting profitability. These underlying improvements were overshadowed in the first three months of 2010 by the losses from the earthquake in Chile as well as from a series of smaller weather related events.

Business operating profit decreased by USD 268 million to USD 621 million or 30 percent in U.S. dollar terms and decreased by USD 255 million or 29 percent on a local currency basis. The decrease was mainly attributable to the Chilean earthquake and to the higher occurrence of winter weather related losses throughout Europe and the U.S., as well as hail and typhoon losses in Australia. The net impact from the Chilean earthquake was USD 200 million, of which USD 125 million was recorded in Group Reinsurance. Investment returns were lower due to decreased yields and the non-technical result benefited from currency revaluations in Latin America.

Gross written premiums and policy fees increased by USD 196 million or 2 percent to USD 10.0 billion in U.S. dollar terms, while decreasing by 4 percent on a local currency basis. In line with the strategy to maintain profitability, average rate increases of 2.3 percentage points have been achieved during the first three months. Despite these achieved rate increases, customer retention levels increased slightly over the same period in the prior year. Many customers are still suffering from the economic environment, resulting in falling insured exposures and lower new business activity. Furthermore, in many markets competitors are aggressively defending their portfolios making access to profitable new business difficult, resulting in falling volumes. Despite these difficult market conditions, growth has been achieved in certain commercial segments within Europe and International Markets. North American business has, however, been heavily impacted by the downturn in the construction and automotive industries, though this has been partially offset by growth in other lines of business, such as surety. Higher unemployment and the recessionary impacts have led to reduced personal lines exposures in most of the key European markets.

The **net underwriting result** decreased by USD 227 million to USD 68 million with the combined ratio at 99.0 percent having deteriorated by 3.3 percentage points compared with the same period in the prior year. Net earned premiums reduced due to return and reinstatement premiums recorded in the first three months, particularly impacting the expense ratio. The overall loss ratio was impacted by the Chilean earthquake and higher large loss experience in Europe, Australia and North America following benign experience in the same period in the prior year. However, the attritional loss ratio was broadly flat despite a deterioration in UK personal lines motor losses and a higher frequency of losses related to winter weather. The expense ratio deteriorated by 1.1 percentage points impacted by lower levels of net earned premiums as well as a number of one-off items for both the three months ended March 31, 2010 and 2009. The commission ratio increased driven by business mix and an increase in profit related commissions. The other underwriting expense ratio increased reflecting the one-off items. The expense base continued to be managed tightly, demonstrated by a 3 percent reduction in the number of full-time equivalents (FTE) compared with the number at March 31, 2009.

Global Life

in USD millions, for the three months ended March 31	2010	2009	Change
Insurance deposits	3,354	2,296	46%
Gross written premiums and policy fees	3,389	3,233	5%
Net investment income on Group investments	973	973	–
Insurance benefits and losses, net of reinsurance	(2,636)	(2,981)	12%
Underwriting and policy acquisition costs, net of reinsurance	(421)	(405)	(4%)
Administrative and other operating expenses	(496)	(478)	(4%)
of which:			
Amortization and impairments of intangible assets	(82)	(87)	6%
Depreciation and impairments of property and equipment	(8)	(8)	(7%)
Business operating profit	**351**	**222**	**58%**
Total reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts[1]	177,261	180,145	(2%)
Assets under management[1, 2]	212,318	214,512	(1%)
Net policyholder flows[3]	1,369	335	nm
New Business – highlights			
New business annual premium equivalent (APE)	**833**	**721**	**16%**
Present value of new business premiums (PVNBP)	6,942	5,912	17%
New business margin, after tax (as % of APE)	**21.9%**	**20.6%**	**1.3 pts**
New business margin, after tax (as % of PVNBP)	2.6%	2.5%	0.1 pts
New business value, after tax	**183**	**149**	**23%**

[1] As of March 31, 2010 and December 31, 2009.
[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.
[3] Net policyholder flows are defined as the sum of gross written premiums and policy fees and deposits, less policyholder benefits and reinsurance.

Global Life has continued to execute on its strategy in a focused and disciplined way delivering growth in all key metrics.

New business annual premium equivalent (APE) increased by USD 112 million or 16 percent to USD 833 million in U.S. dollar terms and by 9 percent on a local currency basis. In Ireland, APE increased by 127 percent in U.S. dollar terms and 113 percent on a local currency basis due to the successful domestic sale of long-term savings products and steadily increasing cross-border sales. In the UK, APE increased by 19 percent in U.S. dollar terms and by 9 percent on a local currency basis with the main driver being the Private Banking Client Solutions and Corporate Life & Pensions businesses. In Switzerland, APE decreased by 30 percent in U.S. dollar terms and by 35 percent on a local currency basis predominantly as a result of a reduction in the technical interest rate effective January 1, 2010. In the Americas, APE increased by 18 percent in U.S. dollar terms and by 14 percent on a local currency basis. Strong growth in Latin America, especially from Corporate Life & Pensions sales countered the effect of the uncertain U.S. market environment. APE in Emerging Markets in Asia increased by 20 percent in U.S. dollar terms and by 16 percent on a local currency basis, mainly as a result of higher sales through a bank partner in Hong Kong and the recent market recovery, which benefited the International/Expats business. APE in Spain decreased by 26 percent in U.S. dollar terms and by 31 percent on a local currency basis resulting from major short-term savings campaigns in 2009 not being repeated to the same extent in the first three months of 2010. APE in the Rest of the World increased by 64 percent in U.S. dollar terms and by 48 percent on a local currency basis, driven by cross-border sales through the Private Banking Client Solutions hub in Luxembourg into Italy, as well as by strong IFA/Broker sales through the Finanza e Futuro distribution channel in Italy.

New business value, after tax, increased by USD 34 million or 23 percent to USD 183 million in U.S. dollar terms and by 16 percent on a local currency basis, benefiting from the increase in domestic and cross-border sales in and from Ireland, positive impacts from higher interest rates and lower volatilities on savings products in Germany, and higher volumes improving the margin in the UK. These improvements were partially offset by the U.S. with negative impacts from higher interest rates impacting the margin on protection products. Overall, the new business margin after tax is 21.9 percent, an increase of 1.3 percentage points compared with the same period in the prior year.

Business operating profit increased by USD 128 million or 58 percent to USD 351 million in U.S. dollar terms, and by 55 percent on a local currency basis. The improved performance, on a local currency basis, was mainly due to the beneficial impact of the financial markets recovery on fee income, the amortization of intangible assets, and the investment margin in the UK, Switzerland, Spain and ZIS. Latin America benefited from the currency revaluation and Germany reported improved risk and expense margins.

Insurance deposits increased by 46 percent in U.S. dollar terms to USD 3.4 billion and by 37 percent on a local currency basis, driven by growth in Ireland, the UK, Spain and Germany.

Gross written premiums and policy fees increased by 5 percent in U.S. dollar terms to USD 3.4 billion, but decreased by 2 percent on a local currency basis. The decrease was primarily due to a reduction in Spain, resulting from the timing of campaigns.

Net reserves decreased by 2 percent in U.S. dollar terms compared with December 31, 2009. On a local currency basis, the net reserves increased by 4 percent due to the improved financial markets which resulted in higher interest and bonuses credited to policyholders as well as increases to net reserves which flow directly through shareholders' equity. **Assets under management** decreased by 1 percent in U.S. dollar terms but increased by 4 percent on a local currency basis, compared with December 31, 2009. **Net policyholder flows** increased by USD 1.0 billion for the three months ended March 31, 2010 driven by new business flows as well as focused efforts on in-force management.

Farmers

Farmers business operating profit was USD 462 million compared with USD 324 million in the same period of the prior year. Farmers Management Services contributed USD 351 million compared with USD 322 million and Farmers Re contributed USD 111 million compared with USD 2 million in the same period of the prior year.

Farmers Management Services

in USD millions, for the three months ended March 31	2010	2009	Change
Management fees and other related revenues	703	623	13%
Management and other related expenses	(361)	(311)	(16%)
Gross management result	342	311	10%
Other net income	9	10	(12%)
Business operating profit	**351**	**322**	**9%**
Managed gross earned premium margin	7.4%	7.5%	(0.1 pts)

Business operating profit increased by USD 29 million or 9 percent to USD 351 million. This result was driven by USD 41 million of business operating profit from 21st Century, which was acquired in July 2009 by the Farmers Exchanges, and was partially offset by lower investment income compared with the first three months of 2009.

Management fees and other related revenues increased by 13 percent to USD 703 million driven by an 11 percent increase in gross earned premiums in the Farmers Exchanges, which the Group manages but does not own. Management fees and other related revenues grew USD 92 million as a result of the contribution of 21st Century in the period. This contribution was offset in part by a reduction in revenues from the auto line of business reflecting the continuing economic pressures in the U.S.

Management and other related expenses increased by 16 percent or USD 50 million entirely as a result of 21st Century. The underlying expenses of the rest of the businesses were essentially flat between periods reflecting continued strict expense discipline and the benefits of ongoing operational transformation. As a result, the gross management result improved by USD 30 million or 10 percent while the **managed gross earned premium margin** remained largely flat at 7.4 percent.

Other Operating Businesses

in USD millions, for the three months ended March 31	2010	2009	Change
Business operating profit:			
Holding and financing	(160)	(65)	nm
Headquarters	(33)	29	nm
Alternative investments	(6)	(7)	16%
Total business operating profit	**(199)**	**(43)**	**nm**

Holding and financing increased its business operating loss by USD 95 million to USD 160 million. This was driven by higher funding costs in the first three months of 2010 as a consequence of senior debt issued during the second and third quarters of 2009, and a one-off benefit of USD 52 million resulting from buy-backs of subordinated debt in the same period of the prior year. **Headquarters** reported a business operating loss of USD 33 million compared with a profit of USD 29 million in the same period of the prior year primarily resulting from expenses such as the timing of marketing campaigns.

Non-Core Businesses

in USD millions, for the three months ended March 31	2010	2009	Change
Business operating profit:			
Centre	(5)	(61)	91%
Banking activities	(3)	(3)	(26%)
Centrally managed businesses	36	(271)	nm
Other run-off	(4)	3	nm
Total business operating profit	**24**	**(331)**	**nm**

Centre business operating loss improved by USD 56 million to USD 5 million, driven by the positive impact of financial markets on an insurance portfolio, where both assets and liabilities are carried at fair value. **Banking activities** remained flat with a loss of USD 3 million, including USD 16 million of provisions for the property loan book in 2010. **Centrally managed businesses,** which comprise portfolios that are managed with the intention to achieve a profitable run-off over time, improved by USD 307 million to a profit of USD 36 million, primarily driven by reserve releases as a consequence of favorable financial market movements in 2010 compared with the negative movements in 2009. As set out in note 1 of the unaudited Consolidated Financial Statements, there was a change in accounting policy for a closed block of variable annuity products. Along with implementation of a dynamic hedge strategy, this will reduce future volatility and the economic exposure associated with this block of business. **Other run-off** recorded a loss of USD 4 million compared with a profit of USD 3 million in the same period of the prior year due to an increase in loss reserves and lower investment income.

Investment Position and Performance

Breakdown of investments

in USD millions, as of	Group investments		Unit-linked investments	
	03/31/10	12/31/09	**03/31/10**	12/31/09
Cash and cash equivalents	12,876	11,631	6,183	5,840
Equity securities:	11,294	12,450	77,934	78,311
Common stocks, including equity unit trusts	8,383	8,839	69,349	69,004
Unit trusts (debt securities, real estate and short-term investments)	2,322	2,477	8,586	9,307
Common stock portfolios backing participating with-profit policyholder contracts	487	673	–	–
Trading equity portfolios in capital markets and banking activities	102	461	–	–
Debt securities	136,045	136,344	10,216	10,194
Real estate held for investment	7,592	7,789	3,799	3,897
Mortgage loans	12,029	12,736	–	–
Policyholders' collateral and other loans	13,648	15,077	1,014	924
Equity method accounted investments	195	232	–	–
Total	**193,679**	**196,258**	**99,146**	**99,167**

Group investments decreased by 1 percent or USD 2.6 billion to USD 193.7 billion since December 31, 2009. However, on a local currency basis, Group investments increased by 2 percent.

Unit-linked investments remained flat in U.S. dollar terms since December 31, 2009. On a local currency basis, unit-linked investments increased by USD 5.2 billion or 5 percent, as a result of overall positive performance of the financial markets in the first three months of 2010.

The quality of the Group's investment portfolio remains high. Investment grade securities comprise 98.4 percent of the Group's debt securities, of which 52.0 percent are rated AAA as of March 31, 2010. The Group's investment policy remains conservative and the Group continues to selectively reduce those risks for which it believes that the compensation received is not appropriate or which incur high regulatory capital costs.

Performance of Group investments

in USD millions, for the three months ended March 31	2010	2009	Change
Net investment income	1,779	1,832	(3%)
Net capital gains/(losses) on investments and impairments	191	(1,073)	nm
of which: net capital gains/(losses) on investments and impairments attributable to shareholders	22	(728)	nm
Net investment result	1,970	759	nm
Net investment return on Group investments	**1.0%**	**0.4%**	**0.6 pts**
Movements in net unrealized gains/(losses) on investments included in total equity	2,083	(1,396)	nm
Total investment result, net of investment expenses[1]	**4,053**	**(637)**	**nm**
Average group investments[2]	194,642	176,692	10%
Total return on Group investments	**2.1%**	**(0.4%)**	**2.4 pts**

[1] After deducting investment expenses of USD 60 million and USD 53 million for the three months ended March 31, 2010 and 2009, respectively.
[2] Excluding average cash received as collateral for securities lending of USD 327 million and USD 127 million for the three months ended March 31, 2010 and 2009, respectively.

Total return, net of investment expenses, on average Group investments was positive 2.1 percent, largely from debt and equity securities. Debt securities, which are invested to match the Group's insurance liabilities profile, returned positive 2.5 percent. Equity securities returned positive 3.2 percent. Other investments, mainly real estate and mortgages, returned positive 0.7 percent.

Total **net investment income** decreased by USD 53 million, or 3 percent in U.S. dollar terms to USD 1.8 billion. On a local currency basis, investment income decreased USD 142 million compared with the same period of the prior year. Net investment income yield was 0.9 percent, a decrease of 12 basis points compared with the same period in the prior year. This decrease was driven by cash balances yielding lower rates and lower income from debt securities.

Total **net capital gains on investments and impairments** were USD 191 million, comprising net realized gains of USD 200 million, asset revaluations of USD 106 million and offset by impairments of USD 114 million. Net realizations arose mainly from the sale of debt and equity securities. Net positive asset revaluations on securities booked at fair value through profit or loss were driven by gains on equity securities of USD 122 million and on debt securities of USD 88 million, which were partially offset by losses from derivatives of USD 97 million. Impairments of USD 114 million included USD 72 million attributable to equity securities, USD 3 million attributable to debt securities, USD 18 million to mortgages and USD 22 million on equity method accounted investments.

Net unrealized gains included in total equity have increased by USD 2.1 billion since December 31, 2009, due to USD 1.8 billion in net unrealized gains on debt securities as a result of narrowing credit spreads and government yields, as well as a USD 230 million increase in net unrealized gains on equity securities as a result of improvements in major global equity markets.

Performance of unit-linked investments

in USD millions, for the three months ended March 31	2010	2009	Change
Net investment income	368	374	(1%)
Net capital (losses)/gains on investments and impairments	4,164	(3,677)	nm
Net investment result, net of investment expenses[1]	4,533	(3,303)	nm
Average investments	99,156	75,351	32%
Total return on unit-linked investments[2]	**4.6%**	**(4.4%)**	**9.0 pts**

[1] After deducting investment expenses of USD 108 million and USD 114 million for the for the three months ended March 31, 2010 and 2009, respectively.
[2] Total return is not annualized.

Total return on unit-linked investments reported a positive 4.6 percent compared with a negative 4.4 percent in the same period of the prior year. The improvement in the total return was due to net capital gains of USD 4.2 billion compared with net capital losses of USD 3.7 billion in the same period of the prior year, resulting from the continuing improvement from the financial markets in the first three months of 2010 compared with the adverse market conditions in the same period of the prior year. Net investment income decreased by USD 6 million or 1 percent, primarily due to lower dividend income on equity investments.

Financial Calendar

Investors' Day – Business Update
June 22, 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 information relating to an ADR account, please call BNY Mellon's Shareowner Services in the USA on +1-888-BNY-ADRs (1-888-269-2377) or outside the USA on +1-201-680-6825.
General information on the company's ADR-program can be obtained from The Bank of New York Mellon at www.adrbnymellon.com.

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