

Zurich Financial Services Group



Letter to Shareholders 2011

Results for the Three Months to March 31, 2011

Shaping Zurich for Tomorrow

Zurich **HelpPoint**



Dear Shareholder,



Dr. Manfred Gentz

Martin Senn

We are pleased to present our results for the first quarter of 2011. In a quarter marked by natural catastrophes, Zurich again delivered a solid underlying operating performance. The Group generated a business operating profit of USD 849 million and net income after tax of USD 637 million for the three months ended March 31, 2011.

Results were affected by the significant catastrophe events in the Asia-Pacific region during the quarter. Aggregate losses of USD 517 million were recorded for the five natural disasters in Australia, New Zealand and Japan. The slow economic recovery in the U.S. and much of Europe also impacted results.

The Group remains focused on maintaining margins and pricing discipline. This helped General Insurance generate a business operating profit of USD 276 million despite the natural catastrophes in the Asia-Pacific region. Such resilience helps explain why Fortune named Zurich one of the most admired property and casualty insurers in the world. Farmers achieved a business operating profit of USD 380 million. Global Life contributed a solid performance with USD 230 million in new business value after tax, driven by growth in Latin America, Asia-Pacific and the Middle East.

We continued to make significant strategic progress during the quarter, strengthening our emerging markets presence and bank distribution platform. Our alliance in Latin America with Banco Santander, as announced in February, will enable us to access millions of new customers in Brazil, Mexico, Chile, Argentina and Uruguay.

We also announced on May 5th the signing of a Memorandum of Understanding with Deutsche Bank to extend our exclusive distribution agreement for life and general insurance products in Germany until the end of 2022. The extension of this distribution agreement confirms Zurich's position as a leading bank distribution partner.

Zurich's capital position and solvency remain strong. The capitalization ratio under the new Swiss Solvency Test (SST), as filed with the regulator for the year ended December 31, 2010, was 223 percent. In March 2011, Moody's Investor Service announced upgrades of the Group's insurance financial strength rating from A1 to Aa3 and all the debt ratings for Zurich Insurance Company Ltd.

The quarter was also marked by achievements in a key area of strategic focus for the Group: people management. Zurich Austria was ranked as one of the country's top 10 major enterprises as selected by the Great Place to Work Institute. In the UK we were again included on The Sunday Times' list of the 25 best employers.



In a quarter marked by natural catastrophes, Zurich again delivered a solid underlying performance.

We continued to deepen our relationships with a broad range of partners in recognition of our wider role in society. Our microinsurance practice cooperated with many non-profit and for-profit organizations to outline ways new technologies can help deliver insurance to underserved populations. In Switzerland, we teamed up with pioneering automaker Rinspeed to understand the future of driving, taking into account the influence of new environmental and other technologies.

The first quarter was an exceptionally severe period for natural catastrophes and we offer our sympathies to all those who were affected by these terrible events. We promise our customers to deliver when it matters. We are very proud to report we kept that promise in the first quarter, thanks to the outstanding efforts of

our Zurich employees around the world, and especially in New Zealand, Australia and Japan. Looking ahead, we hope our ongoing commitment to developing a better understanding of catastrophe risk, such as our participation in developing a Global Earthquake Model, can help to mitigate the impact of such natural catastrophes in the future.

We close by extending our gratitude to all our colleagues for their dedication and hard work, and to you, our shareholders, for your continued support.

Dr. Manfred Gentz
Chairman of the Board of Directors

Martin Senn
Chief Executive Officer

Shareholder information

Financial highlights (unaudited)

in USD millions, for the three months ended March 31, unless otherwise stated	2011	2010	Change ¹
Business operating profit	849	1,259	(33%)
Net income attributable to shareholders	637	935	(32%)
General Insurance gross written premiums and policy fees	10,101	10,010	1%
Global Life gross written premiums, policy fees and insurance deposits	6,379	6,744	(5%)
Farmers Management Services management fees and other related revenues	682	703	(3%)
Farmers Re gross written premiums and policy fees	707	1,495	(53%)
General Insurance business operating profit	276	621	(56%)
General Insurance combined ratio	103.6%	99.0%	(4.6 pts)
Global Life business operating profit	362	351	3%
Global Life new business annual premium equivalent (APE)	849	833	2%
Global Life new business margin, after tax (as % of APE) ⁵	27.1%	22.7%	4.4 pts
Global Life new business value, after tax ⁵	230	189	22%
Farmers business operating profit	380	462	(18%)
Farmers Management Services gross management result	316	342	(8%)
Farmers Management Services managed gross earned premium margin	7.1%	7.4%	(0.3 pts)
Group investments average invested assets	198,739	194,053 ²	2%
Group investments result, net	1,699	1,970	(14%)
Group investments return (as % of average invested assets)	0.9%	1.0%	(0.2 pts)
Total return on Group investments	0.3%	2.1%	(1.8 pts)
Shareholders' equity ⁴	30,133	31,984	(6%)
Swiss Solvency Test capitalization ratio	-	223% ³	n/a
Diluted earnings per share (in CHF)	4.07	6.77	(40%)
Book value per share (in CHF)	187.25	202.69	(8%)
Return on common shareholders' equity (ROE)	8.3%	13.2%	(5.0 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)	8.4%	13.5%	(5.0 pts)

¹ Parentheses around numbers represent an adverse variance.

² Excluding average cash held as collateral for securities lending of USD 327 million during the three months ended March 31, 2010.

³ As filed with the regulator for the year ended December 31, 2010, results for the Group on a consolidated basis, subject to the regulator's review and the regulator's approval of the internal model.

⁴ As of March 31, 2011 and December 31, 2010, respectively.

⁵ In 2011 new business figures have been determined including a liquidity premium in the discount rate and, for greater consistency with other European insurers, a cost of capital applied to residual non-hedgeable risks of 4 percent. The 2010 comparatives have been restated to reflect these changes. A refinement in methodology for calculating new business value for Corporate Risk business was introduced in 2011 contributing USD 41 million to new business value, after tax in the first three months of 2011.

The above table presents the summarized consolidated results of the Group for the three months ended March 31, 2011 and 2010, and the financial position as of March 31, 2011, and December 31, 2010, respectively. Interim results are not necessarily indicative of full year results. All amounts are shown in USD millions and rounded to the nearest million unless otherwise stated with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amount rather than the rounded amount. This table should be read in conjunction with the Annual Report 2010 for the Zurich Financial Services Group available on www.zurich.com and with its unaudited Consolidated financial statements as of March 31, 2011.

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

Contact

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Financial Calendar

Half Year Results Reporting 2011
August 11, 2011

Results Reporting for the Nine Months to
September 30, 2011
November 10, 2011

Investors' Day

December 1, 2011

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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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