

Zurich reports continuing operating strength and near-record capital position

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Zurich, November 5, 2009 – Zurich Financial Services Group (Zurich) reported today a solid nine-month operating performance, with balance sheet strength and solvency margins at near-record levels, and continued profitable growth in Global Life and Farmers underpinning the Group's 27th consecutive quarter of profitability.

Business operating profit for the discrete third quarter 2009 was USD 1.5 billion, a 138% increase over the same prior-year quarter, with net income¹ of USD 909 million, a 490% increase over the same prior-year quarter. Both figures represent the fourth consecutive quarter-on-quarter improvement since the third quarter 2008.

“In this period of ongoing economic uncertainty, our focus remains on maintaining our strong balance sheet, driving operational excellence and delivering sustained profitable growth,” remarked Zurich’s Chief Executive Officer James J. Schiro. “By effectively balancing these levers, we have generated excellent quarterly results and ensured that Zurich is well positioned for the future under any economic scenario.”

Nine-month performance highlights² include:

- **Business operating profit (BOP) of USD 4.1 billion, down 3% but an increase of 2% as measured in local currencies, with all core operating segments improving on a local currency basis. Annualized BOP ROE³ after tax of 16.9%**
- **Net income of USD 2.2 billion, a decrease of 24%. Annualized return on equity (ROE) of 11.6%**
- **General Insurance gross written premiums and policy fees of USD 26.3 billion, down 10% or 3% in local currencies, and an improved combined ratio of 96.9%**

- **Global Life new business value⁴, after tax, of USD 520 million, up 2% or 11% in local currencies. New business margin, after tax (as % of APE), of 21.8%, with APE up 5% or 17% in local currencies**
- **Farmers Management Services' management fees and other related revenues up 8% to USD 2.0 billion, with business operating profit also up 8% to USD 992 million**
- **Shareholders' equity of USD 28.5 billion, an increase of 29% over year end 2008, boosting the Group's solvency position to 209%.**

The Group continued to exploit emerging opportunities, expanding its product range and distribution capabilities organically as well as through the ongoing successful integration of its recent acquisitions completed in Europe, the U.S. and emerging markets. Furthermore, Zurich continued to transform its operating platforms in ways that improve the effectiveness and efficiency of its business. The company is well on track to meet its operational improvement target under The Zurich Way initiatives of USD 900 million after tax, as well as its additional expense saving target of USD 400 million for the current year.

General Insurance:

in USD millions, for the nine months ended September 30	2009	2008	Change in USD	Change in LC
General Insurance gross written premiums and policy fees	26,321	29,207	(10%)	(3%)
General Insurance business operating profit	2,508	2,578	(3%)	4%
General Insurance combined ratio (in %)	96.9%	98.7%	1.9 pts	

General Insurance continued to deliver a robust operating performance against the backdrop of challenging market conditions, characterized by contracting economic activity in both North America and Europe. The Group's continued focus on underwriting discipline, portfolio management and differentiated rate actions has proven successful in marking a turning point in the underlying loss trend. The combined ratio improved to 96.9%, supported by a benign catastrophe experience and strict expense management. Business operating profit was USD 2.5 billion, down 3% in USD but up 4% in local currencies, as an improved underwriting result was

partially offset by lower investment income. Gross written premiums and policy fees decreased 3% in local currencies, mainly reflecting lower volumes in North America and difficult market conditions across Western Europe.

In Europe General Insurance, premium volumes in local currencies were down 1%. A lower underwriting result and the drop in investment income reduced profitability. In contrast, North America Commercial posted an improved underwriting result and profitability, reflecting improved rates and lower catastrophe losses, while the ability to capitalize on growth opportunities in targeted market segments helped to partially mitigate the impact on volume. Global Corporate also markedly improved its profitability, demonstrating its continued focus on underwriting and pricing discipline, with average rate increases of 5.8% on business written during the first nine months of 2009. The Group's International Markets exhibited a 5% volume growth on a local currency basis, with the successful integration of last year's acquisition in Brazil underpinning a 22% increase in Latin America.

Global Life:

in USD millions, for the nine months ended September 30	2009	2008	Change in USD	Change in LC
Global Life gross written premiums, policy fees and insurance deposits	17,406	15,060	16%	32%
Global Life business operating profit	1,157	1,232	(6%)	4%
Global Life gross new business annual premium equivalent (APE)	2,392	2,282	5%	17%
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%	11%

The Global Life segment continued to deliver profitable growth, performing well on all key metrics despite a difficult market environment. New business value, after tax, reached USD 520 million, an increase of 11% on a local currency basis, primarily as a result of the acquisitions in Spain, growth in sales volumes in Latin America and further improved margins in the UK, Ireland, the U.S. and Australia. The new business value has grown in each

successive quarter of this year, driven by expense efficiencies and focused efforts to shift the new business mix towards protection business, driving up margins. Business operating profit of USD 1.2 billion was up 4% on a local currency basis, mainly driven by a more favorable view on future mortality, with the underlying business remaining strong. Net policyholder cash inflows increased to USD 2.6 billion during the first nine months, driven by net inflows from Spain, Ireland, Germany and within the International/Expatriate pillar.

New business annual premium equivalent (APE) grew by 5% or 17% in local currencies, with a continuing strong new business margin of 21.8% reflecting the quality of new business. APE growth was primarily driven by the Spanish bank distribution agreements, growth from Corporate Life & Pensions activities, higher sales of long-term savings products and successful sales campaigns through major banking partners in the UK. Propositions within the recently launched Private Banking Client Solutions pillar also performed well. The Agents pillar experienced growth in Latin America, Germany, Switzerland, Ireland, Spain and Austria via customer and distributor focused programs. However, this was offset by a decrease in Hong Kong due to recent market conditions, which also led to overall volume reductions within the International/Expatriate pillar in Asia.

Farmers⁵:

in USD millions, for the nine months ended September 30	2009	2008	Change in USD	Change in LC
Farmers Management Services (FMS) management fees and other related revenues	1,973	1,831	8%	8%
Farmers Re gross written premiums and policy fees	4,964	2,346	112%	112%
Farmers business operating profit	1,132	996	14%	14%
FMS gross management result	950	875	9%	9%
FMS managed gross earned premium margin	7.2%	7.1%	0.1 pts	

Farmers Management Services (FMS) grew its management fees and other related revenues by 8% to USD 2.0 billion, reflecting the successful

management of the Farmers Exchanges (Exchanges), the third largest personal lines insurer in the U.S.⁶, which Zurich manages but does not own. Underlying the increased revenue stream was a 7% gross earned premium growth at the Exchanges, driven by the acquisition of 21st Century in July of this year, the transfer of North America Commercial's Small Business Solutions book to the Exchanges in June 2008, as well as targeted investments in distribution capabilities and product enhancements. In combination with a continued strict expense discipline, the gross management result of FMS improved by 9%, contributing to an 8% higher business operating profit of USD 992 million and an improved managed gross earned premium margin of 7.2%. The integration of 21st Century continues to progress in line with Farmers' previously successful integration track record.

Farmers Re, which provides reinsurance to the Exchanges, more than doubled its premium volume compared with the same period last year due to an increase of the existing All Lines quota share reinsurance treaty, first from 5% to 25% as of September 30, 2008, and then from 25% to 37.5% in connection with the acquisition of 21st Century, effective June 30, 2009. In combination with improved loss trends in some core underlying businesses of the Exchanges and a higher investment income, Farmers Re's business operating profit rose to USD 141 million, contributing thereby to an increased business operating profit for the Farmers segment of USD 1.1 billion.

Other Operating Businesses: The Other Operating Businesses segment, predominantly consisting of the Group's Headquarter and its Holding & Finance activities, reported a nearly halved business operating loss of USD 298 million, with improvement primarily arising from gains on buybacks of subordinated debt executed in advantageous market conditions.

Non-Core Businesses: The Non-Core Businesses segment, including the Group's run-off insurance businesses and, for the first time, the Group's banking activities (previously reported under Other Operating Businesses), reported a business operating loss of USD 433 million. The loss primarily resulted from an increase in certain life reserves predominantly addressing policyholders' behavior and from increased loan loss provisions in the banking operations.

Group investments:

in USD millions, for the nine months ended September 30	2009	2008	Change in USD	Change in LC
Group investments average invested assets	189,780	185,308	2%	5%
Group investments results, net	4,325	4,728	(9%)	
Group investments return (as % of average invested assets)	2.3%	2.6%	(0.3 pts)	
Total return on Group investments (as % of average invested assets)	5.4%	(0.4%)	5.8 pts	

The total return for Group investments for the first nine months of 2009, including the change in unrealized gains and losses reported in shareholders' equity, was an excellent 5.4% (not annualized). The net investment result for Group investments, which includes investment income and realized losses and impairments, added USD 4.3 billion to Zurich's profit and loss, a non-annualized return of 2.3%. Net capital losses on investments and impairments were USD 1.2 billion, which was largely driven by impairments of USD 1.1 billion and realized losses of USD 324 million from the sale of equities and bonds, partly offset by positive revaluations. Net unrealized gains reported in shareholders' equity as of September 30, 2009 amounted to USD 1.6 billion as a result of positive movements of USD 5.9 billion during the first nine months. The greater part of this improvement, USD 5.3 billion, occurred in the third quarter as credit spreads continued to narrow, yields on government securities fell and equity markets posted further gains.

Capital management: Shareholders' equity improved by 29% over year end 2008, driven by the Group's solid operating performance as well as

recovering financial markets. This translated into a Group Solvency I position of 209%, which underscores the Group's strong balance sheet and capital position. The Group remains confident that it is not only well positioned to continue its shareholder-oriented capital management strategy and weather the current financial-market crisis but also take advantage of opportunities both currently and once a more stable economic environment returns.

¹ Attributable to shareholders.

² All comparisons refer to the first nine months of 2008 unless stated otherwise.

³ ROE calculated on common shareholders' equity. See the Financial Supplement and the Financial Review on the Investor Relations page of our Web site www.zurich.com for further information on shareholders' and common shareholders' equity.

⁴ Calculated on the European Embedded Value basis.

⁵ The Farmers reporting segment newly includes Farmers Re.

⁶ As measured by the Farmers Exchanges' and 21st Century's combined direct written premium in the U.S. personal lines business for 2007, resulting in an overall market share of 7.6%. Source: SNL.

Note to Editors:

There will be a **telephone conference** with a Q&A session for analyst and investors at 9:30 a.m. CET. Media may listen in by telephone. Please dial in to register approximately 3 to 5 minutes prior to the start of the conference.

Dial-in numbers:

- Continental Europe +41 (0)91 610 56 00
- UK +44 (0)207 107 06 11
- USA +1 (1) 866 291 41 66

The presentation to analysts and investors will be **audio webcast** on our Web site www.zurich.com live, followed by a webcast playback available after 12 p.m. CET.

Supplemental financial information, including information on the business divisions, will be available on our Web site www.zurich.com. The **presentation** for analysts and media will be published at 06:45 a.m. CET. Please click on the „Results Reporting for the nine months to September 30, 2009 - Media View“ link on the bottom right corner of our homepage.



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Multimedia material is available at <http://www.zurich.com/multimedia>. If you are a first-time user, please take a moment to register. In case you have any questions, please e-mail: journalisthelp@thenewsmarket.com.

Zurich Financial Services Group (Zurich) is an insurance-based financial services provider with a global network of subsidiaries and offices in North America and Europe as well as in Asia Pacific, Latin America and other markets. Founded in 1872, the Group is headquartered in Zurich, Switzerland. It employs approximately 60,000 people serving customers in more than 170 countries.

Financial Highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the nine months ended September 30, 2009 and 2008 and the financial position as of September 30, 2009 and December 31, 2008. 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 document should be read in conjunction with the Financial Report 2008 for the Zurich Financial Services Group and with its unaudited consolidated financial statements as of September 30, 2009. 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 to conform to the 2009 presentation. The reclassifications have no impact on previously reported business operating profit, net income or shareholders' equity.

in USD millions, for the nine months ended September 30, unless otherwise stated	2009	2008	Change in USD ¹	Change in LC ¹
Business operating profit	4,066	4,185	(3%)	2%
Net income attributable to shareholders	2,163	2,834	(24%)	(25%)
General Insurance gross written premiums and policy fees	26,321	29,207	(10%)	(3%)
Global Life gross written premiums, policy fees and insurance deposits	17,406	15,060	16%	32%
Farmers Management Services management fees and other related revenues	1,973	1,831	8%	8%
Farmers Re gross written premiums and policy fees	4,964	2,346	112%	112%
General Insurance business operating profit	2,508	2,578	(3%)	4%
General Insurance combined ratio	96.9%	98.7%	1.9 pts	
Global Life business operating profit	1,157	1,232	(6%)	4%
Global Life new business annual premium equivalent (APE)	2,392	2,282	5%	17%
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%	11%
Farmers business operating profit	1,132	996	14%	14%
Farmers Management Services gross management result	950	875	9%	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%	5%
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.

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.

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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.