Zurich Insurance Group

ZURICH®

Half Year Report 2020

Report for the six months to June 30, 2020

Contents

A guide to using this report

This interactive PDF is designed to help you easily navigate the report and find the information you are looking for.

It is compatible with both desktop computers and tablet or mobile devices. This report is optimized for viewing with the free software Adobe Acrobat Reader or Apple Books. Interactive functionality may not work when viewed in a web browser or other PDF readers.

Use the tabs and buttons at the top of the page to navigate between sections and around the document:

Guide to the navigation buttons:

- Return to interactive contents
- Page back
- Page forward
- Return to previous view
- Search
- Print

Welcome

About us

Zurich Insurance Group (Zurich) is a leading multi-line insurer that serves its customers in global and local markets. With about 55,000 employees, it provides a wide range of property and casualty, and life insurance products and services in more than 215 countries and territories. Zurich's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations. The Group is headquartered in Zurich, Switzerland, where it was founded in 1872.

Message from the Chairman and Group CEO

Dear Shareholder,
Zurich Insurance Group (Zurich) reported a solid performance in the first half of 2020 amid the widespread social, economic and financial impacts of COVID-19. Our commercial business achieved strong growth. Through our rapid and extensive response to the COVID-19 pandemic we strengthened customer and employee satisfaction. And we expanded digitalization and introduced innovative services, while continuing to execute on the next phase of our strategy.

The first half of 2020 was an unprecedented period with unforeseeable events ranging from a global pandemic and recession, to civil unrest and a higher rate of natural catastrophes. In this context, our priority has been to focus on our customers, colleagues and the communities in which we operate. We delivered on our commitments to our customers and provided a wide range of additional support and financial relief, such as premium rebates and payment holidays. We moved quickly to protect our colleagues, switching early to home office and providing hospitalization benefits to them and their families. We are pleased that our actions have increased trust and confidence in Zurich among customers and colleagues alike.

Business operating profit[1] (BOP) in the first six months of 2020 was USD 1.7 billion, a decline of 40 percent compared with USD 2.8 billion in the first half of 2019. The underlying business performance was broadly in line with the previous year. The decline was largely due to an overall COVID-19 related impact of USD 686 million,[2] and the pandemic's impact on financial markets leading to less favorable performance of the Group's investments, in particular in hedge funds. In addition, the first-half result was affected by higher catastrophe-related claims mainly related to weather events and civil unrest. Net income attributable to shareholders was USD 1.2 billion, a decline of 42 percent from USD 2 billion. Our capital position remained strong, with the Zurich Economic Capital Model (Z-ECM) ratio estimated at 102 percent,[3] within our target as of June 30, 2020, and the Swiss Solvency Test ratio at 185 percent.[4]

Property & Casualty

Within the Group's Property & Casualty (P&C) insurance business, claims related to the COVID-19 outbreak are expected to be USD 750 million[5] for 2020, as indicated in May 2020, subject to some uncertainty given the continuing nature of the event. The Group recorded this amount fully within the first half 2020 results. Partially offsetting the P&C claims was a net favorable USD 64 million of other items related to the COVID-19 outbreak and its impact on financial markets. These include reductions in property and casualty claims resulting from restrictions on activity implemented across many countries.[2]

P&C BOP of USD 751 million was USD 905 million lower than the first half of 2019, due primarily to COVID-19 related impacts, together with higher catastrophe claims resulting from European and North American weather events, the civil unrest in the U.S., and lower capital gains on hedge funds. P&C results demonstrated a strong underlying performance with growth in gross written premiums, improved customer retention and higher pricing. The Group achieved price increases overall, with the level of increases improved across most regions compared with the previous year, particularly in commercial insurance. Commercial insurance gross written premiums, which make up around 70 percent of the Group's P&C premiums, grew on a like-for-like basis, supported by significant rate increases in North America and Europe. The Group is well positioned to grow the commercial insurance business after its portfolio was reshaped and profit improved over the period 2016 to 2019.


Michel M. Liès


Mario Greco

Message from the Chairman and Group CEO (continued)

Life

Life results demonstrated a stable underlying performance. BOP was USD 559 million, USD 143 million lower than in the first half of 2019. Excluding COVID-19 related items, BOP was 3 percent lower, due entirely to movements in exchange rates and a lower contribution from one-off items. Life's focus on protection and capital-light savings business position it well for the prevailing low-yield environment. In the first six months, 89 percent of new business came from the protection, unit-linked and corporate savings business. Life new business annual premium equivalent (APE) sales decreased on a like-for-like basis, adjusting for currency movements, acquisitions and disposals. The decline reflected the COVID-19 related impact of government lockdowns across the world. The development also reflected expected reductions in several markets from exceptional levels in the first quarter of 2019. As the government lockdowns have eased, sales have begun to recover, with distribution through key banking partners such as Banco Santander recovering sharply later in the period.

Farmers

Farmers BOP of USD 779 million was USD 87 million lower than in the first half of 2019, mainly due to reduced fee revenues as a result of premium credits to customers at the Farmers Exchanges.[6] The Farmers Exchanges[6] provided premium credits to their customers worth approximately USD 300 million. Gross written premiums of Farmers Exchanges[6] grew at an underlying level, before the impact of COVID-19 premium credits, and an adjustment to previously booked gross premiums related to lower expected volumes of commercial rideshare business following shelter-in-place orders by U.S. state governments. Key customer metrics remained strong as a result of the Farmers Exchanges'[6] customer-focused strategy, with a further increase in net promoter score and stable retention levels.

Farmers Management Services management fees and other related revenues decreased, mainly as a result of the reduced fee revenues due to the premium credits to customers at the Farmers Exchanges.

A rapid, flexible response

During the first half of 2020, the Group continued to execute on the next phase of its customer-focused strategy outlined in November 2019, adapting to new circumstances as they evolved. Customer satisfaction, as measured by net promoter scores, increased across most major retail markets following Zurich's rapid and flexible response to the pandemic. This included the prompt payment of claims, as well as a wide range of financial relief measures and risk management advice. In Canada, for example, Zurich provided the risk assessments to enable Bauer Hockey to switch production from ice-hockey equipment to personal protection equipment for medical staff and first responders.

Accelerating digital innovation

The Group also accelerated the implementation of its digital strategy, including a range of measures to support customers, such as video-based claims reporting, electronic signatures and remote risk assessments for businesses by the Group's risk engineers. The Group also set up Zurich WellCare, a technology-based business focused on health and wellbeing services aimed at prevention alongside traditional insurance protection. In line with our broader collaboration strategy, Zurich also entered a distribution agreement with telecommunications group Orange. The companies will collaborate to offer insurance products to Orange's 20 million Spanish customers.

Committed to our plan

Since the start of the COVID-19 crisis we have focused on understanding the steps needed to drive the business forward and deliver on our plan presented in November 2019. We are well placed to adapt quickly in a very dynamic and uncertain scenario, and therefore remain fully committed to our three-year plan. While our operating environment changes, our goals are the same – we remain confident in the strength of our business, our strategy, and our ability to adapt to changing needs.

Yours sincerely,

Michel M. Liès
Chairman of the Board of Directors

Mario Greco
Group Chief Executive Officer

[1] Business operating profit indicates the underlying performance of the Group's business units by eliminating the impact of financial market volatility and other non-operational variables.
[2] Includes items related to the COVID-19 outbreak and subsequent financial market volatility that are reasonably attributable and quantifiable. For further details see slide 13 of the Group's HY-20 investor presentation.
[3] Reflects midpoint estimate as of June 30, 2020, with an error margin of +/– 5pts for Z-ECM.
[4] Estimated Swiss Solvency Test (SST) ratio as of June 30, 2020. The SST ratio accounts for EUR 750 million subordinated debt issued on June 9, 2020 and approved as eligible risk-bearing capital by Swiss Financial Market Supervisory Authority FINMA on July 22, 2020.
[5] Based on current assessments, subject to some degree of uncertainty considering the continuing nature of the event.
[6] Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

Financial overview

Contents

The information contained within the financial review is unaudited and is based on the consolidated results of the Group for the six months ended June 30, 2020 and 2019. All amounts are shown in U.S. dollars and rounded to the nearest million unless otherwise stated, with the consequence that the rounded amounts may not always add up to the rounded total. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts. This document should be read in conjunction with the annual results 2019 of the Group and in particular with its consolidated financial statements and embedded value report for the year ended December 31, 2019.

In addition to the figures stated in accordance with International Financial Reporting Standards (IFRS), the Group uses business operating profit (BOP), new business metrics and other performance indicators to enhance the understanding of its results. Details of these additional measures are set out in the separately published glossary. These should be viewed as complementary to, and not as substitutes for, the IFRS figures. For a reconciliation of BOP to net income attributable to shareholders (NIAS), see note 14 (table 14.4) of the unaudited consolidated financial statements for the six months ended June 30, 2020.

Certain comparatives have been revised as a result of reclassifications and other adjustments. For details refer to note 1 of the audited consolidated financial statements.

Financial overview (continued)

Financial highlights

in USD millions, for the six months ended June 30, unless otherwise stated	2020	2019	Change[1]
Business operating profit	**1,702**	2,815	(40%)
Net income attributable to shareholders	**1,181**	2,041	(42%)
P&C business operating profit	**751**	1,656	(55%)
P&C gross written premiums and policy fees	**18,937**	18,555	2%
P&C combined ratio	**99.8%**	95.1%	(4.8 pts)
Life business operating profit	**559**	701	(20%)
Life gross written premiums, policy fees and insurance deposit	**13,008**	18,101	(28%)
Life new business annual premium equivalent (APE)[2]	**1,673**	2,229	(25%)
Life new business margin, after tax (as % of APE)[2]	**23.9%**	25.9%	(1.9 pts)
Life new business value, after tax[2]	**348**	505	(31%)
Farmers business operating profit	**779**	866	(10%)
Farmers Management Services management fees and other related revenues	**1,807**	1,868	(3%)
Farmers Management Services managed gross earned premium margin	**6.6%**	7.0%	(0.4 pts)
Farmers Life new business annual premium equivalent (APE)[2]	**35**	39	(8%)
Average Group investments[3]	**196,188**	189,334	4%
Net investment result on Group investments[3]	**2,762**	3,564	(22%)
Net investment return on Group investments[4]	**1.4%**	1.9%	(0.5 pts)
Total return on Group investments[4]	**2.0%**	6.0%	(4.0 pts)
Shareholders' equity[5]	**33,194**	35,004	(5%)
Z-ECM[6]	**102%**	129%	(27 pts)
Return on common shareholders' equity (ROE)[7]	**8.1%**	14.2%	(6.1 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)[7]	**8.5%**	15.0%	(6.5 pts)

1 Parentheses around numbers represent an adverse variance.
2 Details of the principles for calculating new business are included in the embedded value report in 2019. New business value and new business margin are calculated after the effect of non-controlling interests, whereas APE is presented before non-controlling interests.
3 Including investment cash.
4 Calculated on average Group investments.
5 As of June 30, 2020 and December 31, 2019, respectively.
6 Ratios as of June 30, 2020 and December 31, 2019 respectively. Ratio for June 30, 2020 reflects midpoint estimate with an error margin of +/- 5 pts.
7 Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges.

Business operating profit (BOP) was USD 1.7 billion and declined 40 percent on a reported basis due to the impact of COVID-19 and associated financial market impacts, as well as higher levels of other catastrophe events. The loss related to COVID-19 recorded in the first six months of 2020 amounted to USD 686 million.

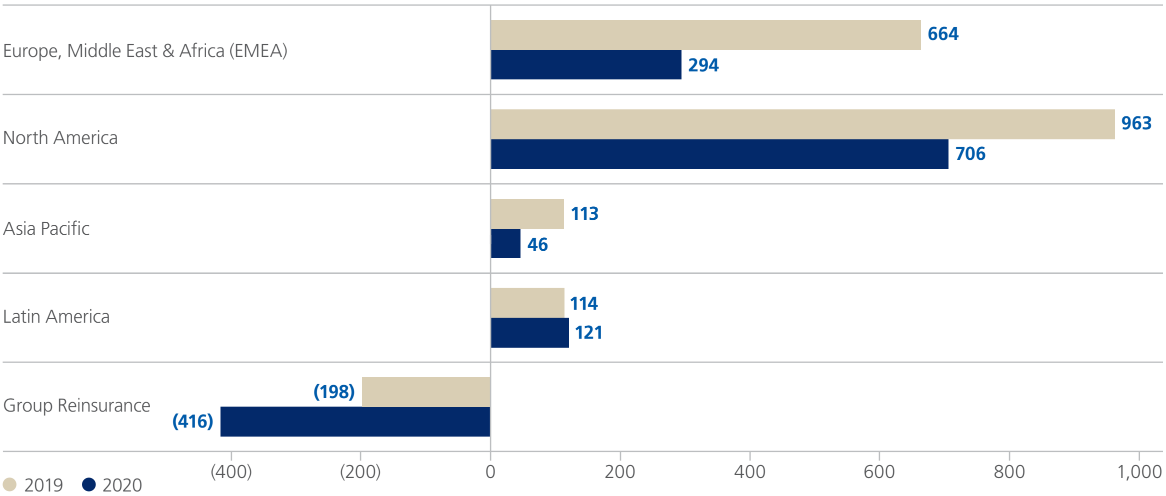
Net income attributable to shareholders (NIAS) fell 42 percent in the first six months of 2020, driven by the decline in business operating profit and the recognition of net realized capital losses on investments instead of net realized gains in the prior year, as well as a higher effective tax rate.

Financial overview (continued)

Property & Casualty (P&C)

in USD millions, for the six months ended June 30			Total
	2020	2019	Change
Gross written premiums and policy fees	18,937	18,555	2%
Net earned premiums and policy fees	12,612	12,382	2%
Insurance benefits and losses, net of reinsurance	8,460	7,734	(9%)
Net underwriting result	22	610	(96%)
Net investment result	943	1,129	(17%)
Business operating profit	**751**	**1,656**	**(55%)**
Loss ratio	67.1%	62.5%	(4.6 pts)
Expense ratio	32.8%	32.6%	(0.1 pts)
Combined ratio	**99.8%**	**95.1%**	**(4.8 pts)**

P&C business operating profit (BOP)
in USD millions, for the six months ended June 30



Property & Casualty gross written premiums increased 4 percent on a like-for-like basis, after adjusting for currency movements and closed acquisitions and disposals. Growth was driven by Europe, Middle East and Africa (EMEA) and North America. In U.S. dollars, gross written premiums grew 2 percent.

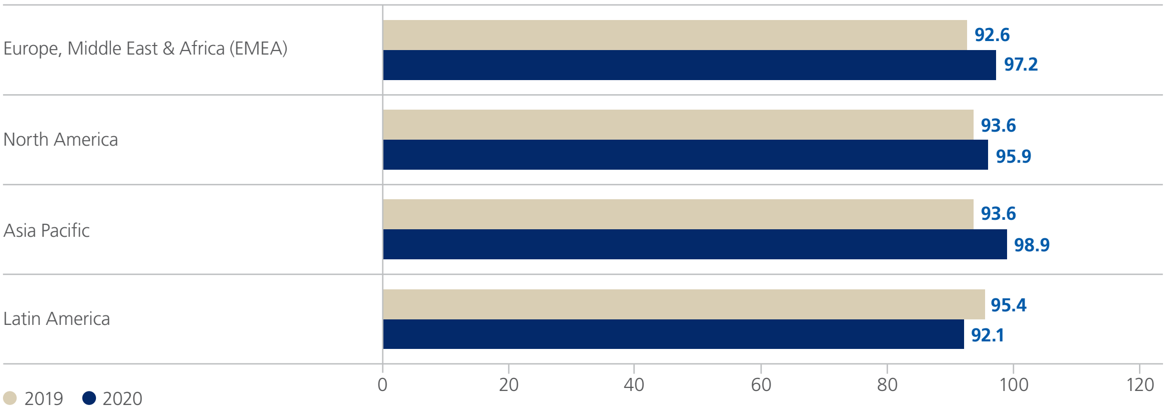
Business operating profit for the first six months of 2020 was USD 751 million, 55 percent lower than in the previous year. The decline was due primarily to the impact of the COVID-19 outbreak and associated financial market developments, as well as higher catastrophe losses than in 2019.

The overall impact of COVID-19 on Property & Casualty was USD 484 million, of which USD 444 million was recognized within the underwriting result and a further USD 39 million in net non-technical results.

Investment income was USD 66 million below 2019, with reductions primarily in EMEA and North America, due to lower investment yields. Realized capital gains of USD 42 million were USD 120 million below the very strong result of the first six months of 2019.

Financial overview (continued)

P&C combined ratio
in %, for the six months ended June 30



The combined ratio of 99.8 percent in the first half of 2020 was 4.8 percentage points higher than in 2019. The deterioration was entirely driven by COVID-19 claims and higher catastrophes, while underlying performance continued to improve year-on-year.

In EMEA, the ratio deteriorated by 4.6 percentage points, primarily due to COVID-19 related claims and voluntary actions to support customers during the outbreak, which were partially offset by the temporary impact of lower claims frequency, especially in motor, resulting from restrictions implemented by governments to control the virus.

In North America, the combined ratio was 2.3 percentage points higher than in the previous year, due to higher catastrophe losses resulting from the COVID-19 outbreak, civil unrest in the U.S., and a series of weather-related events in the first quarter of 2020.

The Asia Pacific combined ratio was 5.3 percentage points higher than in 2019, due to higher catastrophe losses, largely related to the COVID-19 outbreak, and adverse prior year development in the Australian business.

The Latin America combined ratio was 3.3 percentage points lower than in the previous year, with the improvement driven by a lower accident year loss ratio excluding catastrophes.

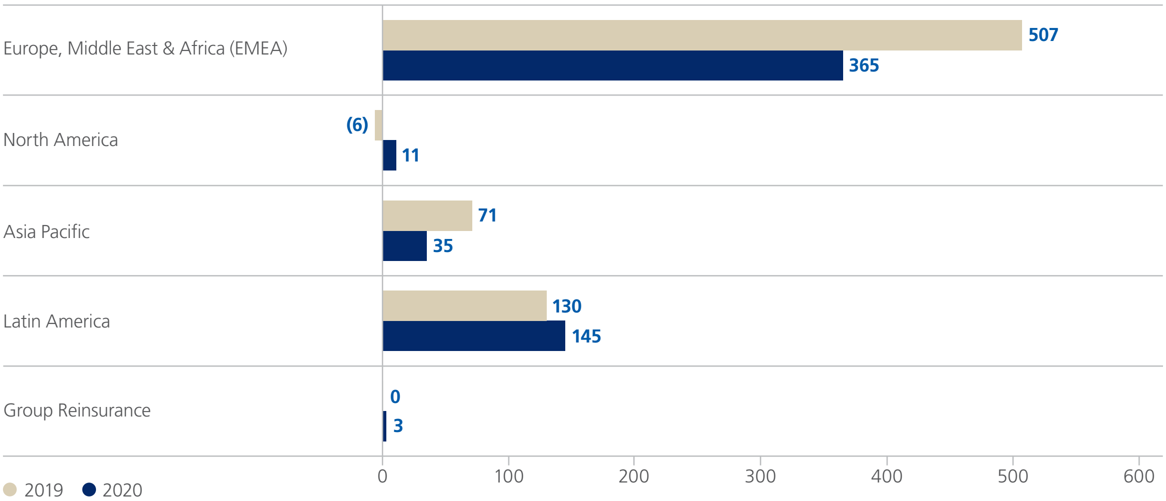
Financial overview (continued)

Life

in USD millions, for the six months ended June 30	2020	2019	Change
Insurance deposits	6,209	10,736	(42%)
Gross written premiums and policy fees	6,799	7,365	(8%)
Net investment income on Group investments	1,360	1,484	(8%)
Insurance benefits and losses, net of reinsurance	(4,609)	(5,053)	9%
Business operating profit	**559**	**701**	**(20%)**
Net policyholder flows[1]	2,088	4,547	(54%)
Assets under management[2,3]	268,276	275,423	(3%)
Total reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts (net reserves)[3]	218,714	226,765	(4%)

[1] Net policyholder flows are defined as the sum of gross written premiums and policy fees and deposits, less policyholder benefits.
[2] Assets under management comprise on balance sheet Group investments and unit-linked investments plus assets that are managed by third parties, on which fees are earned.
[3] As of June 30, 2020 and December 31, 2019, respectively.

Life business operating profit (BOP)
in USD millions, for the six months ended June 30



Life business operating profit for the first six months of 2020 was USD 559 million, 20 percent below 2019 on a reported basis and 3 percent lower excluding the impact of COVID-19 on Life of USD 123 million. On an underlying basis Life performance has been stable, also considering movements in exchange rates and a USD 13 million contribution from one-off items in 2019, mainly in EMEA and North America.

In EMEA, business operating profit was affected by the COVID-19 outbreak, mainly in the UK and to a lesser extent in Switzerland. On a reported basis business operating profit decreased by 28 percent compared with 2019. Adjusted for COVID-19, business operating profit was down 1 percent. Additionally, prior year results were supported by some favorable one-offs that did not repeat in the first half of 2020.

In Latin America, business operating profit increased 12 percent on a reported basis and 44 percent in local currency, mainly driven by favorable results from the unit-linked business in Argentina.

Asia Pacific business operating profit of USD 35 million declined significantly compared with 2019, mainly due to weaker results in Australia and some strengthening of assumptions in Japan, coupled with an unfavorable financial markets impact in Hong Kong.

In North America, excluding Farmers Life, which is reported separately under Farmers, business operating earnings increased by USD 18 million due to favorable claims experience more than offsetting the absence of a favorable one-off item in 2019.

Net inflows of USD 2.1 billion in the first six months of 2020 were lower than in 2019, driven mainly by EMEA. On a like-for-like basis EMEA saw USD 1.5 billion lower inflows than in the prior year with roughly half of this due to one-time inflows in Switzerland in 2019.

Financial overview (continued)

Assets under management decreased 3 percent mainly due to currency movements, with net inflows offset by unfavorable market movements.

NBV, APE and NBM by Segment

in USD millions, for the six months ended June 30	New business value, after tax (NBV)[1]		New business annual premium equivalent (APE)[2]		New business margin, after tax (as % of APE) (NBM)[3]	
	2020	2019	2020	2019	2020	2019
Europe, Middle East & Africa (EMEA)	219	314	1,042	1,446	21.9%	22.8%
North America	23	24	57	80	39.9%	30.1%
Asia Pacific	44	99	100	114	44.7%	89.0%
Latin America	62	67	474	589	21.0%	17.5%
Total	**348**	**505**	**1,673**	**2,229**	**23.9%**	**25.9%**

[1] New business value is calculated on embedded value principles net of non-controlling interests.
[2] APE is shown gross of non-controlling interests.
[3] New business margin is calculated using new business value as a percentage of APE based on figures net of non-controlling interests for both metrics.

Life new business annual premium equivalent (APE) sales decreased 15 percent on a like-for-like basis, adjusting for currency movements, acquisitions and disposals. The decline reflected the impact of COVID-19 and government lockdowns around the world on face-to-face distribution channels. The development in the first six months of 2020 also reflected expected reductions in several markets from exceptional levels in the first half of 2019. On a reported basis APE was 25 percent lower.

In EMEA APE sales decreased by 20 percent on a like-for-like basis compared with the same period in 2019, mainly driven by a reduction in corporate pension business in Switzerland after exceptional levels in the first half in 2019, by lower individual savings business in Spain and generally lower sales levels in Italy as a result of the COVID-19 lockdown.

In Latin America APE sales were flat on a like-for-like basis. Higher sales of unit-linked products at Zurich Santander were offset by lower individual savings business in Chile and lower protection volumes across the region.

In Asia Pacific APE sales decreased 24 percent on a like-for-like basis, reflecting lower sales volumes in Malaysia, Indonesia and Japan, mainly driven by the outbreak of COVID-19.

In North America APE sales were 28 percent lower than in 2019 due to reduced sales in corporate protection business mainly in the first quarter ahead of the sale of the Group life business to Aflac Incorporated, which was announced on March 19.

The new business margin remained at a good level of 23.9 percent as reported or 24.5 percent on a like-for-like basis. New business value (NBV) decreased 25 percent on a like-for-like basis, driven by lower new business volumes, unfavorable economic variances due mainly to the drop in yields and operating assumption changes impacting EMEA and key countries in Asia Pacific. On a reported basis NBV declined 31 percent.

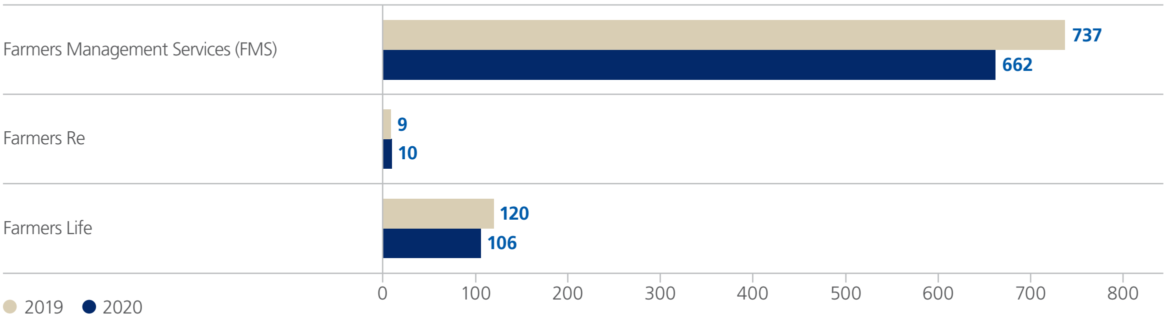
The Group continues to focus on protection, unit-linked and corporate pension businesses, with these products accounting for 89 percent of APE sales. The protection business contributed 84 percent of the overall NBV.

Financial overview (continued)

Farmers

Farmers business operating profit (BOP)

in USD millions, for the six months ended June 30



Farmers Management Services (FMS) business operating profit decreased 10 percent compared with 2019. This was mainly due to reduced fee revenues as a result of the premium credits to customers at the Farmers Exchanges, higher operating expenses largely due to timing differences and a one-time write-off of capitalized expenses. As a result, the managed gross earned premium margin decreased 0.4 percentage points to 6.6 percent. The first half of 2020 was also affected by a less favorable mark-to-market of a deferred compensation plan, compared with 2019.

Farmers Re business operating profit of USD 10 million was USD 1 million higher than in the first six months of 2019, driven by an improved loss ratio, which was partially offset by lower investment income and other income.

Farmers Life business operating profit of USD 106 million was USD 14 million lower than in 2019. The result was mainly driven by lower claims in 2019 compared with 2020.

Farmers Exchanges

The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

Financial information about the Farmers Exchanges is proprietary to the Farmers Exchanges, but is provided to support an understanding of the performance of Farmers Group, Inc. and Farmers Re.

in USD millions, for the six months ended June 30	**2020**	2019	Change
Gross written premiums	10,103	10,458	(3%)
Gross earned premiums	9,923	10,137	(2%)

Gross written premiums of the Farmers Exchanges decreased 3 percent. Underlying growth of 0.2 percent was offset by approximately USD 300 million in COVID-19 premium credits and an adjustment to previously booked gross premiums relating to lower expected volumes of commercial rideshare business following the issuance of shelter-in-place orders by U.S. state governments in response to the COVID-19 outbreak.

Financial overview (continued)

Group Functions and Operations

in USD millions, for the six months ended June 30	**2020**	2019	Change
Holding and Financing	(167)	(232)	28%
Headquarters	(181)	(139)	(30%)
Total business operating profit	**(348)**	**(371)**	**6%**

The business operating loss reported under Group Functions and Operations improved by USD 22 million to USD 348 million. This was driven by a USD 64 million reduction in Holding and Financing costs due to lower interest expenses, partially offset by an increase in headquarter expenses compared to the prior year as a result of increased investments in innovative new business propositions.

Non-Core Businesses

in USD millions, for the six months ended June 30	**2020**	2019	Change
Zurich Legacy Solutions	4	(41)	nm
Other run-off	(43)	4	nm
Total business operating profit	**(39)**	**(37)**	**(5%)**

The Group's Non-Core Businesses, which comprises run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported an operating loss of USD 39 million driven by adverse developments in a legacy portfolio of life liabilities as a result of declining financial markets following the outbreak of COVID-19.

Consolidated financial statements

Contents

Consolidated financial statements (continued)

Consolidated income statements

in USD millions, for the six months ended June 30	Notes	2020	2019
Revenues			
Gross written premiums		25,135	25,339
Policy fees		1,136	1,198
Gross written premiums and policy fees		26,271	26,536
Less premiums ceded to reinsurers		(5,214)	(4,786)
Net written premiums and policy fees		21,058	21,750
Net change in reserves for unearned premiums		(1,846)	(2,239)
Net earned premiums and policy fees		19,212	19,511
Farmers management fees and other related revenues		1,807	1,868
Net investment income on Group investments		2,486	2,657
Net capital gains/(losses) and impairments on Group investments		276	907
Net investment result on Group investments	4	2,762	3,564
Net investment result on unit-linked investments		(1,715)	13,875
Net gains/(losses) on divestment of businesses	3	(18)	(186)
Other income		479	565
Total revenues		22,527	39,198
Benefits, losses and expenses			
Insurance benefits and losses, gross of reinsurance		17,344	15,883
Less ceded insurance benefits and losses		(3,689)	(2,612)
Insurance benefits and losses, net of reinsurance		13,654	13,271
Policyholder dividends and participation in profits, net of reinsurance	6	(1,377)	14,276
Underwriting and policy acquisition costs, net of reinsurance		4,301	4,198
Administrative and other operating expense		3,847	3,830
Interest expense on debt		188	208
Interest credited to policyholders and other interest		267	282
Total benefits, losses and expenses		20,880	36,066
Net income before income taxes		1,646	3,132
of which: Attributable to non-controlling interests		184	181
Income tax (expense)/benefit	10	(341)	(973)
attributable to policyholders	10	155	(258)
attributable to shareholders	10	(496)	(715)
of which: Attributable to non-controlling interests		(59)	(63)
Net income after taxes		**1,305**	**2,159**
attributable to non-controlling interests		124	118
attributable to shareholders		1,181	2,041
in USD			
Basic earnings per share		7.98	13.81
Diluted earnings per share		7.90	13.67
in CHF			
Basic earnings per share		7.70	13.81
Diluted earnings per share		7.63	13.67

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Consolidated statements of comprehensive income

in USD millions, for the six months ended June 30

	Net income attributable to shareholders	Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges
2019			
Comprehensive income for the period	2,041	3,300	83
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		4,281	112
Reclassification to income statement (before tax, foreign currency translation effects and allocation to policyholders)		(381)	(19)
Reclassification to retained earnings		–	–
Deferred income tax (before foreign currency translation effects)		(618)	(15)
Foreign currency translation effects		19	5
2020			
Comprehensive income for the period	1,181	623	44
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		925	63
Reclassification to income statement (before tax, foreign currency translation effects and allocation to policyholders)		(123)	(20)
Reclassification to retained earnings		–	–
Deferred income tax (before foreign currency translation effects)		(126)	(9)
Foreign currency translation effects		(53)	10

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

	Cumulative foreign currency translation adjustment	Total other comprehensive income recycled through profit or loss	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income not recycled through profit or loss	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Total comprehensive income attributable to non-controlling interests	Total comprehensive income
	(37)	3,346	11	2	13	3,359	5,399	411	5,811
	220	4,613	9	14	22	4,635			
	(258)	(659)	–	–	–	(659)			
	–	–	–	–	–	–			
	–	(633)	2	(18)	(16)	(649)			
	–	24	–	6	6	31			
	(880)	(214)	–	269	269	55	1,236	(39)	1,198
	(863)	124	–	158	158	282			
	(17)	(160)	–	–	–	(160)			
	–	–	–	–	–	–			
	–	(135)	–	1	1	(134)			
	–	(43)	–	110	110	67			

Consolidated financial statements (continued)

Consolidated balance sheets

Assets

in USD millions, as of	Notes	06/30/20	12/31/19
Assets:			
Cash and cash equivalents		**9,252**	**7,880**
Total Group investments	4	194,428	193,312
Equity securities		17,435	18,296
Debt securities		149,536	147,507
Investment property		13,433	13,261
Mortgage loans		5,564	5,935
Other loans		8,415	8,274
Investments in associates and joint ventures		44	39
Investments for unit-linked contracts		117,367	126,211
Total investments		**311,795**	**319,523**
Reinsurers' share of liabilities for insurance contracts	5	24,285	22,752
Deposits made under reinsurance contracts		544	726
Deferred policy acquisition costs	7	18,694	19,207
Deferred origination costs	7	391	400
Receivables and other assets		20,571	19,357
Deferred tax assets		1,335	1,151
Assets held for sale[1]	3	1,668	2,087
Property and equipment		2,644	2,635
Attorney-in-fact contracts	8	1,025	1,025
Goodwill	8	3,893	3,610
Other intangible assets	8	4,000	4,333
Total assets		**400,096**	**404,688**

[1] As of June 30, 2020, the Group had USD 1.6 billion of assets held for sale based on agreements signed to sell business in the UK (see note 3). In 2019, the Group reclassified USD 2 billion of assets to held for sale based on agreements signed to sell business in the UK and Germany.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Liabilities and equity

in USD millions, as of	Notes	06/30/20	12/31/19
Liabilities			
Liabilities for investment contracts		59,148	61,761
Deposits received under ceded reinsurance contracts		1,054	994
Deferred front-end fees		4,983	5,173
Liabilities for insurance contracts	5	262,156	264,140
Obligations to repurchase securities		1,273	977
Other liabilities		16,542	16,567
Deferred tax liabilities		4,542	4,533
Liabilities held for sale[1]	3	1,632	1,996
Senior debt	11	6,331	5,148
Subordinated debt	11	7,676	6,852
Total liabilities		**365,337**	**368,139**
Equity			
Share capital		11	11
Additional paid-in capital		1,403	1,235
Net unrealized gains/(losses) on available-for-sale investments		4,608	3,985
Cash flow hedges		498	454
Cumulative foreign currency translation adjustment		(10,405)	(9,553)
Revaluation reserve		223	223
Retained earnings		36,857	38,649
Shareholders' equity		33,194	35,004
Non-controlling interests		1,565	1,545
Total equity		**34,759**	**36,549**
Total liabilities and equity		**400,096**	**404,688**

[1] As of June 30, 2020, the Group had USD 1.6 billion of liabilities held for sale based on agreements to sell certain businesses in the UK (see note 3). In 2019, the Group reclassified USD 2 billion of liabilities to held for sale based on agreements to sell certain businesses in the UK and Germany.

Consolidated financial statements (continued)

Consolidated statements of cash flows

in USD millions, for the six months ended June 30	**2020**	2019
Cash flows from operating activities		
Net income attributable to shareholders	1,181	2,041
Adjustments for:		
Net (gains)/losses on divestment of businesses	18	186
(Income)/expense from equity method accounted investments	(1)	(1)
Depreciation, amortization and impairments of fixed and intangible assets	410	469
Other non-cash items	(105)	169
Underwriting activities:	1,391	15,496
Liabilities for insurance contracts, gross	3,868	9,306
Reinsurers' share of liabilities for insurance contracts	(1,508)	(1,918)
Liabilities for investment contracts	(998)	8,718
Deferred policy acquisition costs	(213)	(623)
Deferred origination costs	2	11
Deposits made under assumed reinsurance contracts	162	60
Deposits received under ceded reinsurance contracts	77	(59)
Investments:	772	(13,722)
Net capital (gains)/losses on total investments and impairments	2,057	(13,924)
Net change in derivatives	(121)	(199)
Net change in money market investments	(585)	(225)
Sales and maturities		
Debt securities	26,244	30,787
Equity securities	29,790	33,471
Other	2,796	3,493
Purchases		
Debt securities	(26,182)	(31,703)
Equity securities	(30,821)	(32,370)
Other	(2,406)	(3,053)
Net changes in sale and repurchase agreements	299	(435)
Movements in receivables and payables	(457)	(1,007)
Net changes in other operational assets and liabilities	(285)	(1,003)
Deferred income tax, net	(253)	133
Net cash provided by/(used in) operating activities	2,971	2,327

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

in USD millions, for the six months ended June 30	2020	2019
Cash flows from investing activities		
Additions to tangible and intangible assets	(281)	(374)
Disposals of tangible and intangible assets	9	18
(Acquisitions)/disposals of equity method accounted investments, net	(5)	–
Acquisitions of companies, net of cash acquired	(12)	(1,242)
Divestments of companies, net of cash divested	8	108
Dividends from equity method accounted investments	–	–
Net cash provided by/(used in) investing activities	(281)	(1,491)
Cash flows from financing activities		
Dividends paid	(3,083)	(2,861)
Issuance of share capital	–	–
Net movement in treasury shares	(214)	–
Issuance of debt	2,196	1,361
Repayment of debt	(226)	(402)
Lease principal repayments	(108)	(84)
Net cash provided by/(used in) financing activities	(1,435)	(1,986)
Foreign currency translation effects on cash and cash equivalents	(25)	(7)
Change in cash and cash equivalents	1,230	(1,157)
Cash and cash equivalents as of January 1	8,527	9,110
Total cash and cash equivalents as of June 30	**9,757**	**7,954**
of which: Cash and cash equivalents	9,252	7,300
of which: Unit-linked	505	654
Other supplementary cash flow disclosures		
Other interest income received	2,399	2,486
Dividend income received	694	913
Other interest expense paid	(397)	(387)
Income taxes paid	(450)	(973)

Cash and cash equivalents

in USD millions, as of June 30	2020	2019
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	9,307	7,388
Cash equivalents	451	566
Total	**9,757**	**7,954**

For the periods ended June 30, 2020 and 2019, cash and cash equivalents held to meet local regulatory requirements were USD 563 million and USD 611 million, respectively.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Consolidated statements of changes in equity

in USD millions

	Share capital	Additional paid-in capital
Balance as of December 31, 2018 as previously reported	11	1,180
Effect of adoption IFRS 16[1]	–	–
Effect of adoption IAS 29[2]	–	–
Balance as of January 1, 2019 after the adoption of IFRS 16 and IAS 29	11	1,180
Issuance of share capital	–	–
Dividends to shareholders	–	–
Share-based payment transactions	–	55
Treasury share transactions	–	–
Cumulative foreign currency translation adjustment due to hyperinflation	–	–
Reclassification from revaluation reserves	–	–
Total comprehensive income for the period, net of tax	–	–
Net income	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–
Cash flow hedges	–	–
Cumulative foreign currency translation adjustment	–	–
Revaluation reserve	–	–
Net actuarial gains/(losses) on pension plans	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of December 31, 2019	11	1,235
Balance as of December 31, 2019 as previously reported	11	1,235
Issuance of share capital	–	233
Dividends to shareholders	–	–
Share-based payment transactions	–	(65)
Treasury share transactions	–	–
Cumulative foreign currency translation adjustment due to hyperinflation[3]	–	–
Reclassification from revaluation reserves	–	–
Total comprehensive income for the period, net of tax	–	–
Net income	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–
Cash flow hedges	–	–
Cumulative foreign currency translation adjustment	–	–
Revaluation reserve	–	–
Net actuarial gains/(losses) on pension plans	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of June 30, 2020	**11**	**1,403**

[1] Effect of adoption of IFRS 16 'Leases' (see note 2).
[2] Effect of adoption of IAS 29 'Financial Reporting in Hyperinflationary Economies'.
[3] Current year effect of IAS 29 'Financial Reporting in Hyperinflationary Economies'.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges	Cumulative foreign currency translation adjustment	Revaluation reserve	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
649	363	(9,676)	211	37,452	30,189	1,613	31,802
–	–	–	–	(130)	(130)	–	(130)
–	–	116	–	(66)	50	13	63
649	363	(9,561)	211	37,256	30,109	1,626	31,735
–	–	–	–	–	–	–	–
–	–	–	–	(2,819)	(2,819)	(218)	(3,036)
–	–	–	–	(63)	(8)	–	(8)
–	–	–	–	169	169	–	169
–	–	111	–	–	111	8	119
–	–	–	–	–	–	–	–
3,336	91	(103)	13	4,106	7,442	478	7,921
–	–	–	–	4,147	4,147		
3,336	–	–	–	–	3,336		
–	91	–	–	–	91		
–	–	(103)	–	–	(103)		
–	–	–	13	–	13		
–	–	–	–	(41)	(41)		
–	–	–	–	–	–	(350)	(350)
3,985	454	(9,553)	223	38,649	35,004	1,545	36,549
3,985	454	(9,553)	223	38,649	35,004	1,545	36,549
–	–	–	–	–	233	–	233
–	–	–	–	(3,080)	(3,080)	(3)	(3,083)
–	–	–	–	(3)	(68)	–	(68)
–	–	–	–	(160)	(160)	–	(160)
–	–	29	–	–	29	2	31
–	–	–	–	–	–	–	–
623	44	(880)	–	1,450	1,236	(39)	1,198
–	–	–	–	1,181	1,181		
623	–	–	–	–	623		
–	44	–	–	–	44		
–	–	(880)	–	–	(880)		
–	–	–	–	–	–		
–	–	–	–	269	269		
–	–	–	–	–	–	59	59
4,608	**498**	**(10,405)**	**223**	**36,857**	**33,194**	**1,565**	**34,759**

Consolidated financial statements (continued)

Zurich Insurance Group Ltd and its subsidiaries (collectively the Group) is a provider of insurance products and related services. The Group operates in Europe, Middle East & Africa (EMEA), North America, Latin America and Asia Pacific through subsidiaries, as well as branch and representative offices.

Zurich Insurance Group Ltd, a Swiss corporation, is the holding company of the Group and its shares are listed on the SIX Swiss Exchange. Zurich Insurance Group Ltd was incorporated on April 26, 2000, in Zurich, Switzerland. It is recorded in the Commercial Register of the Canton of Zurich under its registered address at Mythenquai 2, 8002 Zurich.

1. Basis of presentation

General information

The unaudited consolidated financial statements for the six months ended June 30, 2020, of the Group have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting." The accounting policies used to prepare the unaudited consolidated financial statements comply with International Financial Reporting Standards (IFRS) and are consistent with those set out in the notes to the consolidated financial statements in the Annual Report 2019 of the Group, except for the adoption of new accounting standards and amendments as set out in note 2.

The accounting policies applied by the reportable segments are the same as those applied by the Group. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices. Dividends, realized capital gains and losses as well as gains and losses on the transfer of net assets are eliminated within the segment, whereas all other intercompany gains and losses are eliminated at Group level. In the unaudited consolidated financial statements, inter-segment revenues and transfers are eliminated.

The unaudited consolidated financial statements for the six months ended June 30, 2020, should be read in conjunction with the Group's Annual Report 2019.

Certain amounts recorded in the unaudited consolidated financial statements reflect estimates and assumptions made by management about insurance liability reserves, investment valuations, interest rates and other factors. Since the end of 2019, the COVID-19 pandemic has developed rapidly with far-reaching impacts across the insurance industry and the global economy overall. Management has considered the effect of COVID-19 to the extent possible in its estimates and assumptions. Specifically, insurance liabilities reflect management's best estimate of claims activity directly related to COVID-19 losses as well as premium returns and rebates to customers where appropriate. For additional information on insurance liabilities, please refer to note 5. Investment valuations and interest rates incorporate market conditions as of June 30, 2020 and recoverability of intangible assets has been tested where the value of these intangible assets, including goodwill, is sensitive to prevailing economic conditions. For more information on investments and fair value, please see note 4 and 13, respectively. For more information on intangible assets, please see note 8. Management has also implemented recent amendments to IFRS 16 Leases which allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. The impact of the amendments to IFRS 16 Leases are immaterial to the Group. Actual results may differ from the estimates and assumptions made. Interim results are not necessarily indicative of full-year results.

All amounts in the unaudited consolidated financial statements, unless otherwise stated, are shown in U.S. dollars, 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 amounts rather than the rounded amounts.

Table 1 summarizes the principal exchange rates used for translation purposes. Net gains/(losses) on foreign currency transactions included in the consolidated income statements were USD 21 million and USD (43) million for the six months ended June 30, 2020 and 2019, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD (54) million and USD (13) million for the six months ended June 30, 2020 and 2019, respectively. In 2019, a cumulative foreign currency translation adjustment loss of USD 258 million was recognized upon closure of the sale of the Group's Venezuelan operations (see note 3).

Consolidated financial statements (continued)

Principal exchange rates

Table 1

USD per foreign currency unit	Consolidated balance sheets at end-of-period exchange rates		Consolidated income statements and cash flows at average exchange rates	
	06/30/20	12/31/19	**06/30/20**	06/30/19
Euro	1.1249	1.1223	1.1017	1.1295
Swiss franc	1.0561	1.0326	1.0353	1.0000
British pound	1.2382	1.3243	1.2609	1.2938
Brazilian real	0.1826	0.2481	0.2061	0.2602
Australian dollar	0.6905	0.7026	0.6578	0.7062

Consolidated financial statements (continued)

2. New accounting standards and amendments to published accounting standards

Standards, amendments and interpretations effective or early-adopted as of January 1, 2020 and relevant for the Group's operations

Table 2.1 shows new accounting standards or amendments to and interpretations of standards relevant to the Group that have been implemented for the financial year beginning January 1, 2020, with no material impact on the Group's financial position or performance.

Table 2.1

Standard/ Interpretation

		Effective date
Amended standards		
IFRS 3	Definition of a Business	January 1, 2020
IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	January 1, 2020
IAS 1/IAS 8	Definition of Material	January 1, 2020
IAS 39/IFRS 7	Interest Rate Benchmark Reform	January 1, 2020
IFRS 16	COVID-19-Related Rent Concessions	June 1, 2020[1]

[1] The Group early-adopts the amendment to IFRS 16 'Leases' to account for all lessees' rent concessions occurring as a direct consequence of the COVID-19 pandemic in the same way as if a change in lease payments were not lease modifications. The amendment has no material impact on the Group's financials.

Standards, amendments and interpretations issued that are not yet effective or adopted by the Group

Table 2.2 shows new accounting standards or amendments to and interpretations of standards relevant to the Group, which are not yet effective or adopted by the Group.

Table 2.2

Standard/ Interpretation

		Effective date
New standards/interpretations		
IFRS 9	Financial Instruments	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
Amended standards		
IFRS 3	Reference to the Conceptual Framework	January 1, 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
IAS 1	Classification of Liabilities as Current or Non-Current	January 1, 2023

IFRS 17 'Insurance contracts' and IFRS 9 'Financial Instruments'

IFRS 17 'Insurance contracts' provides comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary participation features and is expected to have a significant impact on accounting for insurance contracts and presentation of the insurance revenue and insurance service result. IFRS 9 'Financial Instruments' introduces a classification and measurement concept for financial assets that is based on the contractual cash flow characteristics and the holding intent. Furthermore, IFRS 9 introduces a requirement to recognize expected credit losses for financial assets carried at amortized cost or at fair value, with changes in fair value recognized in other comprehensive income (OCI). The Group decided to defer the full implementation of IFRS 9 until IFRS 17 becomes effective to better align the measurement approaches for the financial assets held and the insurance liabilities where appropriate. The Group presents additional disclosures of indicative effects from adoption of IFRS 9 required by IFRS 4 'Applying IFRS 9 with IFRS 4' during the period of deferral (see note 24 of the Annual Report 2019).

On June 25, 2020 the International Accounting Standards Board (IASB) published limited amendments to IFRS 17, including an extension of the effective date of IFRS 17 and IFRS 9 by two years to January 1, 2023 (retrospective application). The limited amendments are the result of re-deliberations and incorporate changes to the recognition of the loss recovery component on reinsurance contracts held, allocation of insurance acquisition cash flows to expected contracts renewals and additional transition reliefs. The Group continues to assess the impact of the application of both IFRS 17 and IFRS 9 as well as the impact of the limited amendments on the implementation to date. At the date of publication of these unaudited consolidated financial statements, it was not practicable to quantify the potential impact on the Group consolidated financial statements from adoption of these standards.

Other standards, amendments and interpretations shown in table 2.2 are expected to have no or an insignificant impact on the Group's financial position or performance.

Consolidated financial statements (continued)

3. Acquisitions and divestments

Transactions in 2020

Acquisitions
Swiss Commercial Accident and Health business
On May 29, 2020, after receiving regulatory approval, Zurich Insurance Company Ltd acquired the Commercial Accident and Health business from CSS Versicherung AG.

Divestments
On March 19, 2020, Zurich Holding Company of America, Inc., Zurich American Life Insurance Company and Zurich American Life Insurance Company of New York signed an agreement to sell the Corporate Life and Pensions (CLP) business to Aflac Incorporated (Aflac) and its insurance subsidiaries, American Family Life Assurance Company of Columbus and American Family Life Assurance Company of New York. The transaction is expected to be completed in the second half of 2020, subject to regulatory review and approval.

Held for sale
On December 14, 2018, Zurich Insurance plc entered into an agreement with Catalina Holdings (Bermuda) Ltd and certain of its subsidiaries to transfer a portfolio of pre-2007 United Kingdom legacy employers' liability policies to Catalina London Limited, subject to regulatory and court approvals. The transfer is expected to be completed in 2024. As of June 30, 2020, assets reclassified to held for sale were USD 1.6 billion and liabilities reclassified to held for sale were USD 1.6 billion.

UK Retail Wealth Business
On November 19, 2019, Zurich Financial Services (UKISA) Limited and Allied Zurich Holdings Limited (AZH) entered into an agreement with Embark Group Limited (Embark) to sell the UK Retail Wealth business, which includes an Investment and Retail Wealth Platform business, Sterling ISA Managers Limited (SIML), and an Investment Management business, Zurich Investment Services (UK) Limited (ZISUK). On May 1, 2020, the Group completed the sale with a pre-tax loss of USD 135 million, of which USD 123 million was recognized in December 2019, in the statement of income, including an impairment of assets of USD 210 million.

Germany Architects & Engineers portfolio
On September 15, 2019, Zurich Insurance plc entered into an agreement to transfer the German Architects & Engineers portfolio to Darag Group. On June 30, 2020, the Group completed the sale of the portfolio with a pre-tax gain of USD 21 million, recorded in the statement of income.

Transactions in 2019

Acquisitions

Adira Insurance
On November 27, 2019, Zurich Insurance Group completed the acquisition of 80 percent of PT Asuransi Adira Dinamika (Adira Insurance), a General Insurance provider, from PT Bank Danamon Indonesia (Bank Danamon) and a minority investor for approximately USD 469 million, including potential future incremental payments based on business performance. The agreement includes a 20-year distribution agreement. Based on the purchase price, the preliminary value of goodwill is estimated at USD 212 million.

OnePath
On December 11, 2017, the Group announced that it had entered into an agreement to acquire 100 percent of the Australian life and consumer credit insurance business (OnePath Life and OnePath General Insurance, hereafter OnePath) of Australia and New Zealand Banking Group Limited (ANZ). In order to gain early exposure to a portion of OnePath's earnings, the Group entered into a quota share agreement to reinsure the existing death, disability and critical illness business of OnePath as of May 1, 2018 for an upfront commission payment of USD 754 million. On May 31, 2019, the Group completed its acquisition of OnePath for USD 1.4 billion. As part of the transaction, Zurich entered into a 20-year strategic alliance agreement with ANZ in Australia to distribute life insurance products through its bank channels.

Table 3.1 shows the balance sheet line items as of the OnePath acquisition date, representing the fair value of tangible and intangible assets and goodwill, which has increased by USD 57 million in 2020 as a result of post-acquisition adjustments.

Consolidated financial statements (continued)

Table 3.1

OnePath balance sheet as of the acquisition date

in USD millions, as of May 31, 2019	**Total[1]**
Cash and cash equivalents	253
Total Group investments	2,233
Total unit-linked investments	770
Total investments	3,003
Reinsurers' share of reserves for insurance contracts	125
Receivables and other assets	223
Deferred tax assets	353
Property and equipment	1
Goodwill	992
Other intangible assets	47
Assets acquired	**4,996**
Liabilities for insurance contracts	2,205
Liabilities for investment contracts	1,206
Accrued liabilities	18
Other liabilities	162
Deferred tax liabilities	13
Liabilities acquired	**3,604**
Net assets acquired	1,392
Non-controlling interests	
Total acquisition costs	**1,392**

[1] As of June 30, 2020, the assets and liabilities of OnePath are recognized at acquisition date, May 31, 2019.

OnePath's pro-forma gross written premiums and net income after taxes for the 12 months ended December 31, 2019, were approximately USD 1.1 billion and USD 42 million, respectively. In addition, the Group generated net income after taxes of USD 14 million for the respective period on its existing reinsurance agreement with OnePath. The Group incurred transaction-related costs of approximately USD 26 million in non-technical expenses in BOP, the majority of which were incurred in 2019.

Divestments

UK workplace pensions and savings business

On October 12, 2017 the Group announced a strategic deal under which Lloyds Banking (LBG) would acquire the UK workplace pension and savings business. On April 3, 2018, Sterling ISA Managers Limited completed the sale of its Corporate Savings Platform together with the associated infrastructure, assets and business to LBG subsidiary, Scottish Widows Administration Services Limited. On July 1, 2019, the remaining insurance business was transferred by Zurich Assurance Ltd to Scottish Widows Limited by a UK court process under Part VII of the Financial Services and Markets Act 2000. The Group has recorded a pre-tax gain of USD 17 million in the statement of income upon completion of the sale, including a pre-tax loss of USD 7 million recognized in 2020.

Venezuelan Operations

On May 24, 2019, the Group completed the sale of its 69 percent participation in Zurich Seguros, S.A. The Group has recorded a pre-tax loss of USD 260 million, of which USD 258 million results from negative currency translation adjustments, in the statement of income upon completion of the sale.

ADAC Autoversicherung AG and Bonnfinanz AG

On January 1, 2019, the Group completed the sale of its 51 percent participation in ADAC Autoversicherung AG and on April 2, 2019, the Group completed the sale of Bonnfinanz AG, with pre-tax gains of USD 19 million and USD 40 million, respectively, recorded within net gains/(losses) on divestment of businesses.

Consolidated financial statements (continued)

4. Group investments

Group investments are those for which the Group bears part or all of the investment risk. They also include investments related to investment contracts with discretionary participation features. Net investment result on Group investments includes returns on investment-related cash, which is included in cash and cash equivalents on the consolidated balance sheets.

Table 4.1

Net investment result on Group investments

in USD millions, for the six months ended June 30	Net investment income		Net capital gains/(losses) and impairments		Net investment result		of which impairments	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Investment cash	9	4	–	–	9	4	–	–
Equity securities	197	261	(261)	540	(64)	801	(221)	(34)
Debt securities	1,903	2,012	509	506	2,411	2,518	15	–
Investment property[1]	263	238	9	46	272	283	–	–
Mortgage loans	72	82	7	–	79	83	–	–
Other loans	172	182	3	1	175	183	(1)	(7)
Investments in associates and joint ventures	1	1	–	–	1	–	–	–
Derivative financial instruments	–	–	8	(185)	8	(185)	–	–
Investment result, gross, on Group investments	2,616	2,780	276	907	2,892	3,687	(207)	(40)
Investment expenses on Group investments	(130)	(123)	–	–	(130)	(123)	–	–
Investment result, net, on Group investments	**2,486**	**2,657**	**276**	**907**	**2,762**	**3,564**	**(207)**	**(40)**

[1] Rental operating expenses for investment property amounted to USD 63 million and USD 66 million for each of the six months ended June 30, 2020 and 2019, respectively.

Table 4.2

Details of Group investments by category

as of	**06/30/20**		12/31/19	
	USD millions	**% of total**	USD millions	% of total
Equity securities:				
Fair value through profit or loss	4,306	2.2	4,391	2.3
Available-for-sale	13,129	6.8	13,905	7.2
Total equity securities	17,435	9.0	18,296	9.5
Debt securities:				
Fair value through profit or loss	6,701	3.4	6,713	3.5
Available-for-sale	140,702	72.4	138,676	71.7
Held-to-maturity	2,134	1.1	2,117	1.1
Total debt securities	149,536	76.9	147,507	76.3
Investment property	13,433	6.9	13,261	6.9
Mortgage loans	5,564	2.9	5,935	3.1
Other loans	8,415	4.3	8,274	4.3
Investments in associates and joint ventures	44	0.0	39	0.0
Total Group investments	**194,428**	**100.0**	**193,312**	**100.0**

Investments with a carrying value of USD 6.8 billion and USD 6.2 billion are held to meet local regulatory requirements as of June 30, 2020 and December 31, 2019, respectively.

Consolidated financial statements (continued)

Net unrealized gains/(losses) on Group investments included in equity

Table 4.3

in USD millions, as of	Total	
	06/30/20	12/31/19
Equity securities: available-for-sale	700	1,570
Debt securities: available-for-sale	15,054	12,997
Other	549	536
Gross unrealized gains/(losses) on Group investments	16,302	15,103
Less amount of unrealized gains/(losses) on investments attributable to:		
Life policyholder dividends and other policyholder liabilities	(8,868)	(8,574)
Life deferred acquisition costs and present value of future profits	(1,040)	(914)
Deferred income taxes	(1,200)	(1,085)
Non-controlling interests	(89)	(91)
Total[1]	**5,105**	**4,439**

[1] Net unrealized gains/(losses) on Group investments include net gains arising on cash flow hedges of USD 498 million and USD 454 million as of June 30, 2020 and December 31, 2019, respectively.

Securities lending, repurchase and reverse repurchase agreements

Table 4.4

in USD millions, as of	06/30/20	12/31/19
Securities lending agreements		
Securities lent under securities lending agreements[1]	151	156
Collateral received for securities lending	178	190
of which: Cash collateral	–	56
of which: Non-cash collateral[2]	178	134
Liabilities for cash collateral received for securities lending	–	56
Repurchase agreements		
Securities sold under repurchase agreements[3]	1,274	978
Obligations to repurchase securities	1,273	977
Reverse repurchase agreements		
Securities purchased under reverse repurchase agreements[4]	–	57
Receivables under reverse repurchase agreements	–	56

[1] The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 29 million and USD 150 million as of June 30, 2020 and December 31, 2019, respectively. The majority of these assets were debt securities.
[2] The Group had the right to sell or repledge, in the absence of default by its counterparties, securities received as collateral with a fair value of USD 178 million and USD 126 million as of June 30, 2020 and December 31, 2019, respectively.
[3] The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 318 million and USD 350 million as of June 30, 2020 and December 31, 2019, respectively. The majority of these assets were debt securities.
[4] The Group had the right to sell or repledge, in the absence of default by its counterparties, securities received as collateral with a fair value of nil as of June 30, 2020 and December 31, 2019, respectively.

Under the terms of securities lending or repurchase agreements, the Group retains substantially all the risks and rewards of ownership of the transferred securities, and also retains contractual rights to the cash flows from these securities. These securities are therefore not derecognized from the Group's consolidated balance sheet. Cash received as collateral is recorded as an asset, and a corresponding liability is established. Interest expense is charged to income using the effective interest rate method over the life of the agreement.

Under a reverse repurchase agreement, the securities received are not recognized on the Group's consolidated balance sheet, as long as the risk and rewards of ownership have not been transferred to the Group. The cash delivered by the Group is derecognized and a corresponding receivable is recorded within receivables and other assets. Interest income is recognized in income using the effective interest rate method over the life of the agreement.

Consolidated financial statements (continued)

5. Liabilities for insurance contracts and reinsurers' share of liabilities for insurance contracts

Liabilities for insurance contracts

Table 5.1

in USD millions, as of	Gross		Ceded		Net	
	06/30/20	12/31/19	**06/30/20**	12/31/19	**06/30/20**	12/31/19
Reserves for losses and loss adjustment expenses	60,180	59,165	(13,119)	(12,137)	47,061	47,028
Reserves for unearned premiums	19,781	17,551	(3,989)	(3,412)	15,792	14,139
Future life policyholder benefits	77,980	77,756	(3,979)	(3,978)	74,000	73,778
Policyholder contract deposits and other funds	27,735	27,480	(3,258)	(3,285)	24,477	24,195
Reserves for unit-linked insurance contracts	72,227	77,684	–	–	72,227	77,684
Other insurance liabilities	4,253	4,505	(1)	(1)	4,252	4,503
Total liabilities for insurance contracts[1]	**262,156**	**264,140**	**(24,347)**	**(22,813)**	**237,809**	**241,327**

[1] Total liabilities for insurance contracts ceded are gross of allowances for uncollectible amounts of USD 62 million and USD 61 million as of June 30, 2020 and December 31 2019, respectively.

Development of reserves for losses and loss adjustment expenses

Table 5.2

in USD millions	Gross		Ceded		Net	
	2020	2019	**2020**	2019	**2020**	2019
As of January 1	59,165	60,913	(12,137)	(11,535)	47,028	49,378
Losses and loss adjustment expenses incurred:						
Current year	11,011	10,168	(2,351)	(2,141)	8,660	8,027
Prior years	514	(285)	(695)	85	(182)	(200)
Total incurred	11,524	9,883	(3,046)	(2,055)	8,478	7,828
Losses and loss adjustment expenses paid:						
Current year	(2,342)	(2,446)	259	291	(2,084)	(2,155)
Prior years	(8,395)	(8,250)	2,226	1,924	(6,168)	(6,326)
Total paid	(10,737)	(10,696)	2,485	2,215	(8,252)	(8,481)
Interest effects of discounted reserves	83	51	(3)	(1)	81	49
Acquisitions/(divestments) and transfers[1]	638	152	(558)	(74)	79	78
Foreign currency translation effects	(493)	(56)	140	41	(353)	(15)
As of June 30	**60,180**	**60,248**	**(13,119)**	**(11,410)**	**47,061**	**48,838**

[1] In 2020, net reserves increased by USD 305 million following the acquisition of the CSS Versicherung AG Commercial Accident and Health business and USD 23 million following the acquisition of Adira Insurance (see note 3). Additionally, Zurich North America entered into an agreement with Lyft, a ride-sharing provider, which resulted in an increase in ceded reserves of USD 144 million. The increase in reserves is partially offset by the transfer of a portfolio in Brazil of USD 108 million to DPVAT, a motor insurance pool.
The 2019 net movement is mainly related to the acquisition of a portfolio in QBE Colombia for USD 101 million.

The Group establishes loss reserves, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates or judgments are reflected in the results of operations in the period in which estimates and judgments are changed.

Significant delays may occur in the notification and settlement of claims, and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The reserves for losses and loss adjustment expenses are determined on the basis of the information available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

The increase of USD 33 million in net reserves for losses and loss adjustment expenses during the first six months of 2020 mainly relates to the acquisition of the CSS Versicherung AG Commercial Accident and Health business and claims related to the COVID-19 pandemic, mostly offset by seasonal Crop claim payments in North America and currency movements. Net favorable reserves development from reserves established in prior years amounted to USD 182 million. The main reductions were Europe Middle East & Africa (EMEA).

Consolidated financial statements (continued)

The decrease of USD 540 million during the first six months of 2019 in net reserves for losses and loss adjustment expenses is mainly driven by a decrease in North America Commercial due to higher reinsurance cessions in Property and Liability. Net favorable reserves development from reserves established in prior years amounted to USD 200 million. The main reductions were in North America and Europe Middle East & Africa (EMEA). In addition, the Group entered into a retroactive reinsurance agreement for a UK portfolio which resulted in a decrease of USD 1.7 billion, as this portfolio was reclassified held for sale for USD 1.6 billion.

Development of future life policyholder benefits

Table 5.3

in USD millions	Gross		Ceded		Net	
	2020	2019	**2020**	2019	**2020**	2019
As of January 1	77,756	74,950	(3,978)	(3,110)	73,778	71,839
Premiums	6,139	6,652	(683)	(612)	5,456	6,040
Claims	(5,098)	(5,067)	571	481	(4,527)	(4,586)
Fee income and other expenses	(1,723)	(1,836)	75	106	(1,648)	(1,730)
Interest and bonuses credited to policyholders	1,246	1,127	(72)	(55)	1,174	1,072
Changes in assumptions	4	(2)	–	–	4	(2)
Acquisitions/(divestments) and transfers[1]	24	670	39	(672)	63	(2)
Increase/(decrease) recorded in other comprehensive income	174	534	–	–	174	534
Foreign currency translation effects	(543)	92	69	(1)	(475)	91
As of June 30	**77,980**	**77,119**	**(3,979)**	**(3,864)**	**74,000**	**73,255**

[1] The 2020 net movement is mainly related to adjustments to the acquisition of OnePath (see note 3), the 2019 net movement is mainly related to the acquisition of OnePath (see note 3).

Policyholder contract deposits and other funds gross

Table 5.4

in USD millions, as of	**06/30/2020**	12/31/2019
Universal life and other contracts	13,820	13,679
Policyholder dividends	13,915	13,801
Total	**27,735**	**27,480**

Development of policyholder contract deposits and other funds

Table 5.5

in USD millions	Gross		Ceded		Net	
	2020	2019	**2020**	2019	**2020**	2019
As of January 1	27,480	24,266	(3,285)	(3,416)	24,195	20,850
Premiums	594	601	(35)	(44)	559	557
Claims	(589)	(666)	123	157	(466)	(509)
Fee income and other expenses	(221)	(218)	(1)	2	(222)	(217)
Interest and bonuses credited to policyholders	320	624	(61)	(59)	259	565
Acquisitions/(divestments) and transfers[1]	16	244	–	–	16	244
Increase/(decrease) recorded in other comprehensive income	181	2,505	1	1	182	2,506
Foreign currency translation effects	(46)	(15)	–	1	(47)	(13)
As of June 30	**27,735**	**27,341**	**(3,258)**	**(3,360)**	**24,477**	**23,982**

[1] The 2020 net movement is mainly related to the acquisition of Adira (see note 3), the 2019 net movement is mainly related to the acquisition of OnePath (see note 3).

6. Policyholder dividends and participation in profits

Policyholder dividends and participation in profits

Table 6

in USD millions, for the six months ended June 30	**2020**	2019
Change in policyholder contract deposits and other funds	179	470
Change in reserves for unit-linked insurance contracts	(699)	6,381
Change in liabilities for investment contracts – unit-linked	(982)	7,528
Change in liabilities for investment contracts – other	72	95
Change in unit-linked liabilities related to UK capital gains tax	53	(198)
Total policyholder dividends and participation in profits	**(1,377)**	**14,276**

Consolidated financial statements (continued)

7. Deferred policy acquisition costs and deferred origination costs

Development of deferred policy acquisition costs

Table 7.1

in USD millions	Property & Casualty		Life		Other businesses[1]		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
As of January 1	5,694	5,367	11,695	12,350	1,818	1,824	19,207	19,541
Acquisition costs deferred	2,246	2,247	745	923	64	82	3,056	3,253
Amortization	(2,083)	(1,976)	(722)	(594)	(38)	(60)	(2,843)	(2,630)
Amortization (charged)/credited to other comprehensive income	–	–	(88)	(290)	(32)	(38)	(120)	(328)
Acquisitions/(divestments) and transfers[2]	52	4	–	(734)	(4)	4	48	(727)
Foreign currency translation effects	(140)	12	(513)	21	(1)	–	(654)	34
As of June 30	**5,769**	**5,654**	**11,118**	**11,677**	**1,808**	**1,812**	**18,694**	**19,142**

[1] Net of eliminations from inter-segment transactions.
[2] In 2020, Property & Casualty movement of USD 52 million is mainly related to the acquisition of Adira for USD 33 million and CSS Versicherung AG Commercial Accident and Health business for USD 5 million (see note 3). In 2019 movement in Life is related to the elimination of the internal reinsurance agreement on consolidation of OnePath (see note 3), Property & Casualty movement of USD 4 million is related to the acquisition of OnePath and the other businesses movement of USD 12 million is mainly related to the portfolio transfer in Farmers.

Development of deferred origination costs

Table 7.2

in USD millions	**2020**	2019
As of January 1	400	419
Origination costs deferred	25	27
Amortization	(28)	(38)
Foreign currency translation effects	(7)	(2)
As of June 30	**391**	**405**

Consolidated financial statements (continued)

8. Attorney-in-fact contracts, goodwill and other intangible assets

Intangible assets – current period

Table 8.1

in USD millions	Attorney-in-fact contracts	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Gross carrying value as of January 1, 2020	1,025	3,883	2,556	4,286	5,059	331	17,140
Less: accumulated amortization/impairments	–	(274)	(2,116)	(1,752)	(3,917)	(113)	(8,171)
Net carrying value as of January 1, 2020	1,025	3,610	440	2,534	1,141	218	8,968
Additions and acquisitions	–	370	1	38	158	4	571
Divestments and transfers	–	–	–	(4)	(1)	–	(5)
Amortization[1]	–	–	(21)	(59)	(145)	(6)	(231)
Amortization charged to other comprehensive income	–	–	(8)	–	–	–	(8)
Impairments	–	–	–	(8)	(4)	–	(12)
Foreign currency translation effects	–	(87)	(12)	(249)	(9)	(6)	(364)
Net carrying value as of June 30, 2020	**1,025**	**3,893**	**399**	**2,252**	**1,139**	**210**	**8,918**
Plus: accumulated amortization/impairments	–	267	2,060	1,673	4,017	115	8,132
Gross carrying value as of June 30, 2020	1,025	4,161	2,459	3,925	5,156	325	17,051

[1] Amortization of distribution agreements is included within underwriting and policy acquisition costs.

As of June 30, 2020, intangible assets related to non-controlling interests were USD 49 million for present value of future profits (PVFP) of acquired insurance contracts, USD 896 million for distribution agreements, USD 8 million for software, USD 48 million for goodwill and USD 4 million for other intangible assets.

As a result of the acquisition of Adira Insurance in Indonesia, intangible assets increased by USD 253 million, of which USD 212 million is goodwill, USD 35 million is distribution agreements and USD 6 million is other intangible assets. Goodwill further increased following the acquisition of the CSS Versicherung AG Commercial Accident and Health portfolio in Switzerland and also as a result of post-acquisition adjustments related to the OnePath acquisition (see note 3).

The Group performs quantitative tests of goodwill recoverability annually during the third quarter. In light of the widespread decline in economic activity resulting from global efforts to contain COVID-19, the Group moved forward the quantitative testing of goodwill recoverability in its cash generating units (CGUs) where there is a particular sensitivity to business projections and broader macro-economic factors, specifically the APAC, LatAm and Bright Box CGUs. The Group's quantitative tests support the carrying value of the goodwill in these CGUs but recoverability is highly sensitive to further or prolonged declines in economic activity. The Group will perform quantitative tests for all CGUs, including APAC, LatAm and Bright Box in the third quarter as per the normal timeline.

Intangible assets by business – current period

Table 8.2

in USD millions, as of June 30, 2020	Attorney-in-fact contracts	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Property & Casualty	–	1,793	–	739	663	186	3,381
Life	–	1,220	356	1,512	59	23	3,171
Farmers	1,025	819	43	–	350	–	2,237
Group Functions and Operations	–	61	–	–	68	–	129
Net carrying value	**1,025**	**3,893**	**399**	**2,252**	**1,139**	**210**	**8,918**

Consolidated financial statements (continued)

Intangible assets – prior period

Table 8.3

in USD millions	Attorney-in-fact contracts	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Gross carrying value as of January 1, 2019	1,025	2,938	2,539	4,304	4,845	309	15,960
Less: accumulated amortization/impairments	–	(276)	(2,041)	(1,578)	(3,682)	(109)	(7,687)
Net carrying value as of January 1, 2019	1,025	2,662	498	2,726	1,162	199	8,272
Additions and acquisitions	–	391	7	66	136	5	605
Divestments and transfers	–	–	–	(5)	(10)	–	(16)
Amortization[1]	–	–	(21)	(114)	(166)	(7)	(306)
Amortization charged to other comprehensive income	–	–	(21)	–	–	–	(21)
Impairments	–	–	–	–	–	–	–
Foreign currency translation effects	–	8	–	15	(1)	2	24
Net carrying value as of June 30, 2019	**1,025**	**3,061**	**463**	**2,688**	**1,122**	**200**	**8,558**
Plus: accumulated amortization/impairments	–	275	2,080	1,691	3,774	111	7,931
Gross carrying value as of June 30, 2019	1,025	3,336	2,543	4,379	4,895	311	16,489

[1] Amortization of distribution agreements is included within underwriting and policy acquisition costs.

As of June 30, 2019, intangible assets related to non-controlling interests were USD 59 million for present value of future profits (PVFP) of acquired insurance contracts, USD 1 billion for distribution agreements, USD 8 million for software, USD 8 million for goodwill and USD 4 million for other intangible assets.

As a result of the acquisition of the OnePath goodwill increased by USD 385 million (see note 3). The acquisition of QBE Colombia increased goodwill by USD 23 million. As a result of the post-acquisition adjustments intangible assets decreased by USD 12 million, mainly due to goodwill reduction in EuroAmerica in Chile.

Intangible assets by business – prior period

Table 8.4

in USD millions, as of December 31, 2019	Attorney-in-fact contracts	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Property & Casualty	–	1,531	–	877	659	193	3,260
Life	–	1,197	388	1,657	63	25	3,330
Farmers	1,025	819	52	–	336	–	2,233
Group Functions and Operations	–	63	–	–	83	–	145
Net carrying value	**1,025**	**3,610**	**440**	**2,534**	**1,141**	**218**	**8,968**

Consolidated financial statements (continued)

9. Restructuring provisions

Restructuring provisions

Table 9

in USD millions	2020	2019
As of January 1	106	258
Provisions made during the period	7	17
Increase of provisions set up in prior years	4	17
Provisions used during the period	(38)	(91)
Provisions reversed during the period	(5)	(1)
Foreign currency translation effects	(2)	–
Other changes[1]	–	(64)
As of June 30	**72**	**136**

[1] Other changes relate to the adjustment of right-of-use assets following the implementation of IFRS 16 'Leases.'

During the six months ended June 30, 2020 the Group incurred total restructuring costs of USD 19 million, of which USD 6 million is due to net increases in restructuring provisions, affecting mainly Property & Casualty in Europe, Middle East & Africa (EMEA) and North America.

During the six months ended June 30, 2019 the Group incurred total restructuring costs of USD 56 million, of which USD 33 million is due to net increases in restructuring provisions, affecting mainly Property & Casualty in Europe, Middle East & Africa (EMEA), North America and Life EMEA.

Consolidated financial statements (continued)

10. Income taxes

Income tax expense – current/deferred split

Table 10.1

in USD millions, for the six months ended June 30	2020	2019
Current	594	840
Deferred	(253)	133
Total income tax expense/(benefit)	**341**	**973**

Expected and actual income tax expense

Table 10.2

in USD millions, for the six months ended June 30	Rate	2020	Rate	2019
Net income before income taxes		1,646		3,132
less: income tax (expense)/benefit attributable to policyholders		155		(258)
Net income before income taxes attributable to shareholders		1,802		2,875
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	21.0%	378	21.0%	604
Increase/(reduction) in taxes resulting from:				
Tax rate differential in foreign jurisdictions		14		(60)
Tax exempt and lower taxed income		(59)		(55)
Non-deductible expenses		62		68
Tax losses not recognized		59		7
Prior year adjustments and other		43		152
Actual income tax expense attributable to shareholders	**27.5%**	**496**	**24.9%**	**715**
plus: income tax expense/(benefit) attributable to policyholders		(155)		258
Actual income tax expense	20.7%	341	31.1%	973

Table 10.2 sets out the factors that cause the actual income tax expense to differ from the expected expense computed by applying the Swiss statutory tax rate of 21.0 percent, which is the rate applicable in the jurisdiction where the ultimate parent company is resident.

The Group is required to record taxes on policyholder earnings for life insurance policyholders in certain jurisdictions. Accordingly, the income tax expense or benefit attributable to these life insurance policyholder earnings is included in income tax expense. In certain jurisdictions an accrual for future policy fees that will cover the tax charge is included in insurance benefits and losses.

Taxes paid by certain of the Group’s life insurance businesses are based on the investment result less allowable expenses. To the extent these taxes exceed the amount that would have been payable in relation to the shareholders’ share of taxable profits, it is normal practice for certain of the Group’s businesses to recover this portion from policyholders. While the relevant company has the contractual right to charge policyholders for the taxes attributable to their share of the investment result less expenses, the obligation to pay the tax authority rests with the company and therefore, the full amount of tax including the portion attributable to policyholders is accounted for as income tax. Income tax expense therefore includes an element attributable to policyholders.

Consolidated financial statements (continued)

11. Senior and subordinated debt

Senior and subordinated debt

Table 11

in USD millions, as of		06/30/20	12/31/19
Senior debt			
Zurich Insurance Company Ltd	0.625% CHF 250 million notes, due July 2020[1]	264	260
	2.875% CHF 250 million notes, due July 2021[1]	264	257
	3.375% EUR 500 million notes, due June 2022[1,3]	577	579
	1.875% CHF 100 million notes, due September 2023[1]	114	113
	1.750% EUR 500 million notes, due September 2024[1,3]	579	579
	0.500% CHF 350 million notes, due December 2024[1]	370	362
	0.510% CHF 120 million loan, due December 2024	127	124
	1.500% CHF 150 million notes, due July 2026[1]	177	175
	0.750% CHF 200 million notes, due October 2027[1]	211	206
	1.000% CHF 200 million notes, due October 2028[1]	212	207
	1.500% EUR 500 million notes, due December 2028[1,3]	558	557
	0.100% CHF 250 million notes, due August 2032[1]	265	–
Zurich Holding Comp. of America Inc	2.300% USD 400 million notes, due February 2030[1]	400	–
	Euro Commercial Paper Notes, due in less than 12 months	623	399
Zurich Finance (Australia) Limited	Floating rate AUD 241 million loan, due July 2020	166	169
	3.271% AUD 200 million loan, due May 2023	138	141
	3.477% AUD 350 million notes, due May 2023[1]	241	245
	4.500% AUD 375 million notes, due July 2038[1]	276	175
Zurich Finance (Ireland) DAC	1.625% EUR 500 million notes, due June 2039[1,3]	560	559
	Euro Commercial Paper Notes, due in less than 12 months	196	–
Other	Various debt instruments	14	41
Senior debt		6,331	5,148
Subordinated debt			
Zurich Insurance Company Ltd	2.750% CHF 225 million perpetual capital notes, first callable June 2021[1]	237	232
	2.750% CHF 200 million perpetual capital notes, first callable September 2021[1]	215	212
	4.750% USD 1 billion perpetual capital notes, first callable January 2022[1,3]	998	997
	4.250% EUR 1 billion notes, due October 2043, first callable October 2023[1,3]	1,120	1,117
	4.250% USD 300 million notes, due October 2045, first callable October 2025[1,3]	299	299
	5.625% USD 1 billion notes, due June 2046, first callable June 2026[1,3]	997	997
	3.500% EUR 750 million notes, due October 2046, first callable October 2026[1,2,3]	862	853
	5.125% USD 500 million notes, due June 2048, first callable June 2028[1,3]	498	498
	4.875% USD 500 million notes, due October 2048, first callable October 2028[1,3]	498	498
	2.750% EUR 500 million notes, due February 2049, first callable February 2029[1,3]	557	555
Zurich Finance (Ireland) DAC	1.875% EUR 750 million notes, due September 2050, first callable June 2030[1,3]	839	–
Zurich Finance (UK) plc	6.625% GBP 450 million perpetual notes, first callable October 2022[1]	555	593
Subordinated debt		7,676	6,852
Total senior and subordinated debt		**14,007**	**11,999**

[1] Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).
[2] The Group applied the fair value hedge methodology either partially or in full to hedge the interest rate exposure.
[3] These bonds are part of a qualifying net investment hedge to hedge the foreign currency exposure.

None of the debt instruments listed in table 11 were in default as of 30 June 2020 or 31 December 2019.

Consolidated financial statements (continued)

12. Commitments and contingencies, legal proceedings and regulatory investigations

The Group has provided contractual commitments and financial guarantees to external parties, associates and joint ventures as well as partnerships. These arrangements include commitments under certain conditions to make liquidity advances to cover default principal and interest payments, make capital contributions or provide equity financing.

Quantifiable commitments and contingencies

Table 12

in USD millions	06/30/2020	12/31/2019
Remaining commitments under investment agreements	1,706	1,398
Guarantees and letters of credit[1]	1,469	1,003
Undrawn loan commitments	1	1
Other commitments and contingent liabilities[2]	281	732

[1] Guarantee features embedded in life insurance products are not included.
[2] Includes USD 119 million future cash outflows, that the Group as lessee is potentially exposed to which are not reflected in the measurement of lease liabilities in the balance sheet, of which USD 104 million is a lease agreement in Australia commencing in 2020.

Legal, compliance and regulatory developments

In recent years there has been an increase in the number of legislative initiatives that require information gathering and tax reporting regarding the Group's customers and their contracts, including the U.S. Foreign Account Tax Compliance Act (FATCA) and the expected introduction of other automatic tax information exchange regimes based on the Common Reporting Standard (CRS). The Group's compliance activities in this area could result in higher compliance costs, remedial actions and other related expenses for its life insurance, savings and pension business. There has also been increased scrutiny by various tax and law enforcement officials regarding cross-border business activities, in particular by U.S. government authorities looking into activities of U.S. taxpayers with investments held outside the U.S. and activities of non-U.S. financial institutions that hold such investments.

The Group, on its own initiative, undertook an internal review of the life insurance, savings and pension business sold by its non-U.S. operating companies with relevant cross-border business to customers with a nexus to the U.S. The Group engaged outside counsel and other advisors to assist in this review, which was focused on assessing compliance with relevant U.S. tax laws. The review confirmed that the Group's cross-border business with U.S. persons was very limited and of a legacy nature, with the large majority of sales having occurred more than a decade ago. The review also confirmed that the Group's U.S. operating companies were not involved in or connected to those activities.

The Group voluntarily disclosed the results of the review and the regulatory issues presented by sales to U.S. residents to the Swiss Financial Market Supervisory Authority (FINMA), the U.S. Department of Justice (DOJ) and other authorities. The Group is cooperating with these authorities.

On April 25, 2019, the DOJ announced that Zurich Life Insurance Company Ltd (ZLIC) and Zurich International Life Limited (ZILL) entered into a non-prosecution agreement (NPA) with the DOJ, which memorializes the DOJ's decision not to prosecute these entities for any U.S. tax-related offenses in connection with legacy cross-border sales to U.S. persons. Under the terms of the NPA, ZLIC and ZILL have agreed to pay USD 5 million to the U.S. Treasury and to comply with certain specified conditions during the four-year term of the NPA.

This resolution has not had and will not have an adverse effect on the Group's business or consolidated financial condition.

Legal proceedings and regulatory investigations

The Group's business is subject to extensive supervision, and the Group is in regular contact with various regulatory authorities. The Group is continuously involved in legal proceedings, claims and regulatory investigations arising, for the most part, in the ordinary course of its business operations.

While the Group believes that it is not a party to, nor are any of its subsidiaries the subject of, any unresolved current legal proceedings, claims, litigation and investigations that will have a material adverse effect on the Group's consolidated financial condition, proceedings are inherently unpredictable, and it is possible that the outcome of any proceeding could have a material impact on results of operations in the particular reporting period in which it is resolved.

Consolidated financial statements (continued)

13. Fair value measurement

This note excludes financial assets and financial liabilities relating to unit-linked contracts. Table 13.1 compares the fair value with the carrying value of financial assets and financial liabilities. Certain financial instruments are not included in this table as their carrying value is a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, obligations to repurchase securities, deposits made under assumed reinsurance contracts, deposits received under ceded reinsurance contracts and other financial assets and liabilities.

For details on the fair value measurement framework and sensitivities of level 3 instruments, refer to note 23 of the consolidated financial statements 2019.

Fair value and carrying value of financial assets and financial liabilities

Table 13.1

in USD millions, as of	Total fair value		Total carrying value	
	06/30/20	12/31/19	**06/30/20**	12/31/19
Available-for-sale securities				
Equity securities	13,129	13,905	13,129	13,905
Debt securities	140,702	138,676	140,702	138,676
Total available-for-sale securities	153,831	152,581	153,831	152,581
Fair value through profit or loss securities				
Equity securities	4,306	4,391	4,306	4,391
Debt securities	6,701	6,713	6,701	6,713
Total fair value through profit or loss securities	11,007	11,105	11,007	11,105
Derivative assets	1,708	1,226	1,708	1,226
Held-to-maturity debt securities	2,796	2,757	2,134	2,117
Mortgage loans	5,981	6,351	5,564	5,935
Other loans	10,119	9,879	8,415	8,274
Total financial assets[1]	**185,441**	**183,899**	**182,658**	**181,239**
Derivative liabilities	(541)	(365)	(541)	(365)
Financial liabilities held at amortized cost				
Liabilities related to investment contracts	(1,173)	(1,106)	(901)	(931)
Senior debt	(6,579)	(5,388)	(6,331)	(5,148)
Subordinated debt	(8,239)	(7,558)	(7,676)	(6,852)
Total financial liabilities held at amortized cost	(15,992)	(14,052)	(14,908)	(12,930)
Total financial liabilities[1]	**(16,532)**	**(14,417)**	**(15,449)**	**(13,296)**

[1] 2019 includes equity securities, debt securities, other loans and liabilities due to investment contracts related to the OnePath acquisition (see note 3).

Recurring fair value measurements of assets and liabilities

Fair value hierarchy – non-unit-linked – current period

Table 13.2a

in USD millions, as of June 30, 2020	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Equity securities	8,985	2,738	1,406	13,129
Debt securities	–	133,168	7,534	140,702
Total available-for-sale securities	8,985	135,906	8,939	153,831
Fair value through profit or loss securities				
Equity securities	1,598	474	2,235	4,306
Debt securities	–	6,612	89	6,701
Total fair value through profit or loss securities	1,598	7,085	2,324	11,007
Derivative assets	1	1,523	184	1,708
Total	**10,583**	**144,515**	**11,447**	**166,545**
Derivative liabilities	(6)	(496)	(38)	(541)
Total	**(6)**	**(496)**	**(38)**	**(541)**

For the six months ended June 30, 2020, no material transfers between level 1 and level 2 occurred.

Consolidated financial statements (continued)

Fair value hierarchy – non-unit-linked – prior period

Table 13.2b

in USD millions, as of December 31, 2019	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Equity securities	9,633	2,855	1,417	13,905
Debt securities	–	130,963	7,713	138,676
Total available-for-sale securities	9,633	133,818	9,129	152,581
Fair value through profit or loss securities				
Equity securities	1,611	602	2,179	4,391
Debt securities	–	6,632	81	6,713
Total fair value through profit or loss securities	1,611	7,234	2,260	11,105
Derivative assets	2	1,092	132	1,226
Total	**11,246**	**142,145**	**11,521**	**164,912**
Derivative liabilities	(4)	(320)	(42)	(365)
Total	**(4)**	**(320)**	**(42)**	**(365)**

Development of assets and liabilities classified within level 3 – non-unit-linked – current period

Table 13.3a

in USD millions	Available-for-sale securities		Fair value through profit or loss securities			
	Equity securities	Debt securities	Equity securities	Debt securities	Derivative assets	Derivative liabilities
As of January 1, 2020	1,417	7,713	2,179	81	132	(42)
Realized gains/(losses) recognized in income[1]	62	2	7	–	1	–
Unrealized gains/(losses) recognized in income[1,2]	(5)	(42)	25	(1)	(8)	18
Unrealized gains/(losses) recognized in other comprehensive income	(75)	84	–	–	69	2
Purchases	140	664	191	–	(5)	(16)
Settlements/sales/redemptions	(126)	(307)	(180)	(1)	(6)	–
Transfers into level 3	–	128	–	19	–	–
Transfers out of level 3	–	(699)	–	(7)	–	–
Foreign currency translation effects	(7)	(9)	13	(2)	1	(1)
As of June 30, 2020	**1,406**	**7,534**	**2,235**	**89**	**184**	**(38)**

[1] Presented as net capital gains/(losses) and impairments on Group investments in the unaudited consolidated income statements (see note 4).
[2] Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments.

For the six months ended June 30, 2020, the Group transferred USD 699 million of available-for-sale debt securities out of level 3 into level 2. The transfers were mainly driven by a rating upgrading of non-agency asset/mortgage backed securities to 'AAA' and private debt priced by a central vendor. Partially offsetting this is the transfer of USD 128 million in securities from level 2 to level 3 resulting from the downgrade of ratings for certain non-agency asset/mortgage back securities and private debt priced by an asset manager.

Development of assets and liabilities classified within level 3 – non-unit-linked – prior period

Table 13.3b

in USD millions	Available-for-sale securities		Fair value through profit or loss securities			
	Equity securities	Debt securities	Equity securities	Debt securities	Derivative assets	Derivative liabilities
As of January 1, 2019	1,219	7,559	2,198	78	79	(35)
Realized gains/(losses) recognized in income[1]	40	7	5	–	–	–
Unrealized gains/(losses) recognized in income[1,2]	(7)	(10)	159	2	(13)	(11)
Unrealized gains/(losses) recognized in other comprehensive income	30	234	–	–	34	20
Purchases	148	656	123	4	7	(4)
Settlements/sales/redemptions	(98)	(407)	(165)	(1)	–	–
Transfers into level 3	–	39	–	–	–	–
Transfers out of level 3	(3)	(457)	–	–	–	–
Foreign currency translation effects	3	(6)	6	–	–	–
As of June 30, 2019	**1,331**	**7,616**	**2,327**	**83**	**107**	**(31)**

[1] Presented as net capital gains/(losses) and impairments on Group investments in the unaudited consolidated income statements (see note 4).
[2] Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments.

Consolidated financial statements (continued)

For the six months ended June 30, 2019, the Group transferred USD 457 million of available-for-sale debt securities out of level 3 into level 2 and USD 39 million out of level 2 into level 3. The transfers were mainly driven by a pricing provider change for a significant portfolio of syndicated loans receiving market quotes on a regular basis as a result of orderly market transactions.

Non-recurring fair value measurements of assets and liabilities

Under certain circumstances, the Group may measure certain assets or liabilities at fair value on a non-recurring basis when an impairment charge is recognized.

14. Segment information

The Group pursues a customer-centric strategy, where the Property & Casualty (P&C) and Life businesses are managed on a regional basis. The Group's reportable segments have been identified on the basis of the businesses operated by the Group and how these are strategically managed to offer different products and services to specific customer groups. The Group has identified 13 reportable segments in accordance with IFRS 8 'Operating Segments' and segment information is presented accordingly as follows:

- Property & Casualty regions
- Life regions
- Farmers
- Group Functions and Operations
- Non-Core Businesses

The Group's reportable segments comprise the following:

Property & Casualty and Life regions

- Europe, Middle East & Africa
- North America
- Asia Pacific
- Latin America
- Group Reinsurance

Property & Casualty regions provide a variety of motor, home and commercial products and services for individuals as well as small and large businesses on both a local and global basis. Products are sold through multiple distribution channels including agents, brokers and bank distribution.

Life regions provide a comprehensive range of life and health insurance products on both an individual and a group basis, including annuities, endowment and term insurance, unit-linked and investment-oriented products, as well as full private health, supplemental health and long-term care insurance. In addition to the agent distribution channel, certain of these products are offered via bank distribution channels.

Farmers, through Farmers Group, Inc. and its subsidiaries (FGI), provides certain non-claims services and ancillary services to the Farmers Exchanges, which are owned by their policyholders. This segment also includes all reinsurance assumed from the Farmers Exchanges by the Group. Farmers Exchanges are prominent writers of personal and small commercial lines of business in the U.S. In addition, this segment includes the activities of Farmers Life, a writer of individual life insurance business in the U.S.

Group Functions and Operations comprise the Group´s Holding and Financing, Headquarter and Zurich Insurance Mobile Solutions (ZIMS) activities. Certain alternative investment positions not allocated to business operating segments are included within Holding and Financing. In addition, this segment includes operational technical governance activities relating to technology, underwriting, claims, actuarial and pricing.

Non-Core Businesses include insurance and reinsurance businesses that the Group does not consider core to its operations and that are therefore mostly managed to achieve a beneficial run-off. Non-Core Businesses are mainly situated in the U.S., Bermuda, and in Europe.

Consolidated financial statements (continued)

Aggregations and additional information

Regional Property & Casualty and Life results are further aggregated to show a total Property & Casualty and total Life business view.

- Property & Casualty – total
- Life – total

For additional informational purposes, the Group also discloses income statement information for Property & Casualty Commercial Insurance and Property & Casualty Retail and Other Insurance results. Other Insurance includes SME, direct market and other program business.

- Property & Casualty Commercial Insurance
- Property & Casualty Retail and SME

Business operating profit

The segment information includes the Group's internal performance measure, business operating profit (BOP). This measure is the basis on which the Group manages all of its business units. It indicates the underlying performance of the Group's business units, after non-controlling interests, by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains/(losses) and impairments on investments (except for certain non-insurance operations included in Non-Core Businesses, investments in hedge funds as at fair value through profit or loss, certain securities held for specific economic hedging purposes and policyholders' share of investment results for the life businesses) and non-operational foreign exchange movements. Significant items arising from special circumstances, including restructuring charges, legal matters or large one-off regulatory projects outside the ordinary course of business, gains and losses on divestment of businesses, certain business combination integration costs and impairments of goodwill are also excluded from BOP.

Consolidated financial statements (continued)

Property & Casualty – Overview by segment

Table 14.1

in USD millions, for the six months ended June 30	Europe, Middle East & Africa		North America	
	2020	2019	**2020**	2019
Revenues				
Direct written premiums	7,518	7,247	8,144	7,757
Assumed written premiums	1,262	1,019	402	432
Gross written premiums and policy fees	8,780	8,265	8,546	8,189
Less premiums ceded to reinsurers	(1,735)	(1,485)	(3,170)	(2,989)
Net written premiums and policy fees	7,045	6,781	5,376	5,200
Net change in reserves for unearned premiums	(1,218)	(1,110)	(746)	(744)
Net earned premiums and policy fees	5,827	5,671	4,630	4,456
Net investment income on Group investments	252	291	512	542
Net capital gains/(losses) and impairments on Group investments	2	26	40	136
Net investment result on Group investments	254	317	552	677
Other income	180	138	34	39
Total BOP revenues	6,262	6,125	5,216	5,172
Benefits, losses and expenses				
Insurance benefits and losses, net	3,908	3,552	3,089	2,902
Policyholder dividends and participation in profits, net	3	(6)	4	4
Underwriting and policy acquisition costs, net	1,159	1,098	1,223	1,145
Administrative and other operating expense (excl. depreciation/amortization)	719	684	114	88
Interest credited to policyholders and other interest	86	81	31	32
Restructuring costs and other items not included in BOP	(20)	(25)	(2)	(11)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	5,856	5,383	4,459	4,160
Business operating profit (before interest, depreciation and amortization)	**406**	**743**	**757**	**1,013**
Depreciation and impairments of property and equipment	53	37	32	31
Amortization and impairments of intangible assets	45	28	19	19
Interest expense on debt	7	10	–	–
Business operating profit before non-controlling interests	301	668	706	963
Non-controlling interests	7	3	–	–
Business operating profit	**294**	**664**	**706**	**963**

Consolidated financial statements (continued)

Asia Pacific		Latin America		Group Reinsurance		Eliminations		Total	
2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
1,281	1,408	1,027	1,417	–	–	–	–	17,970	17,830
93	82	26	36	353	343	(1,168)	(1,187)	967	725
1,374	1,491	1,053	1,454	353	343	(1,168)	(1,187)	18,937	18,555
(251)	(251)	(257)	(299)	(286)	(266)	1,168	1,187	(4,531)	(4,104)
1,122	1,240	795	1,155	67	77	–	–	14,406	14,451
110	(49)	127	(42)	(66)	(124)	–	–	(1,794)	(2,069)
1,232	1,191	922	1,112	1	(47)	–	–	12,612	12,382
46	36	84	90	6	9	–	–	901	967
–	–	–	–	–	–	–	–	42	162
46	36	84	90	6	9	–	–	943	1,129
72	81	26	23	3	22	–	–	315	303
1,349	1,307	1,033	1,225	10	(15)	–	–	13,870	13,814
723	654	334	451	405	175	–	–	8,460	7,734
–	–	–	–	–	–	–	–	8	(3)
304	281	378	467	(4)	4	–	–	3,060	2,995
246	232	130	173	19	(6)	–	–	1,229	1,171
1	3	17	1	4	(1)	–	–	140	115
(3)	(2)	6	(35)	–	–	–	–	(19)	(74)
1,272	1,167	866	1,057	424	172	–	–	12,877	11,938
77	**140**	**167**	**168**	**(414)**	**(187)**	**–**	**–**	**993**	**1,876**
21	17	8	7	1	1	–	–	115	93
10	9	5	6	–	–	–	–	78	62
–	–	–	1	1	10	–	–	8	20
46	114	154	155	(416)	(198)	–	–	791	1,701
–	1	33	41	–	–	–	–	40	45
46	**113**	**121**	**114**	**(416)**	**(198)**	**–**	**–**	**751**	**1,656**

Consolidated financial statements (continued)

Life – Overview by segment

Table 14.2

in USD millions, for the six months ended June 30	Europe, Middle East & Africa		North America	
	2020	2019	**2020**	2019
Revenues				
Life insurance deposits	4,132	8,585	364	373
Gross written premiums	3,568	4,070	69	60
Policy fees	682	781	199	149
Gross written premiums and policy fees	4,250	4,851	268	209
Net earned premiums and policy fees	3,882	4,462	259	202
Net investment income on Group investments	1,104	1,203	16	17
Net capital gains/(losses) and impairments on Group investments	14	291	(11)	8
Net investment result on Group investments	1,117	1,494	4	25
Net investment income on unit-linked investments	492	684	–	–
Net capital gains/(losses) and impairments on unit-linked investments	(2,566)	11,435	233	462
Net investment result on unit-linked investments	(2,073)	12,120	233	462
Other income	179	191	20	20
Total BOP revenues	3,106	18,267	517	710
Benefits, losses and expenses				
Insurance benefits and losses, net	3,397	3,851	197	152
Policyholder dividends and participation in profits, net	(1,749)	12,503	233	462
Income tax expense/(benefit) attributable to policyholders	(137)	240	–	–
Underwriting and policy acquisition costs, net	515	402	29	55
Administrative and other operating expense (excl. depreciation/amortization)	527	613	46	25
Interest credited to policyholders and other interest	110	111	–	21
Restructuring costs and other items not included in BOP	(7)	(49)	–	–
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	2,655	17,671	506	716
Business operating profit (before interest, depreciation and amortization)	**450**	**595**	**11**	**(6)**
Depreciation and impairments of property and equipment	12	18	–	–
Amortization and impairments of intangible assets	22	43	–	–
Interest expense on debt	–	1	–	–
Business operating profit before non-controlling interests	415	534	11	(6)
Non-controlling interests	51	27	–	–
Business operating profit	**365**	**507**	**11**	**(6)**

Life includes approximately USD 445 million and USD 875 million of gross written premiums and future life policyholder benefits for certain universal life-type contracts in the Group's Spanish operations for the six months ended June 30, 2020 and 2019, respectively.

Consolidated financial statements (continued)

	Asia Pacific		Latin America		Group Reinsurance		Eliminations		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	63	52	1,650	1,726	–	–	–	–	6,209	10,736
	1,038	685	1,168	1,527	23	20	(27)	(23)	5,840	6,340
	52	73	26	22	–	–	–	–	959	1,025
	1,090	758	1,194	1,550	23	20	(27)	(23)	6,799	7,365
	928	668	1,059	1,303	12	9	–	–	6,140	6,645
	79	73	163	192	–	–	(1)	(1)	1,360	1,484
	(7)	54	(1)	22	–	–	–	–	(6)	376
	71	127	162	215	–	–	(1)	(1)	1,354	1,860
	43	42	16	24	–	–	–	–	552	751
	(139)	100	159	597	–	–	–	–	(2,312)	12,594
	(95)	143	175	621	–	–	–	–	(1,761)	13,345
	10	15	34	37	–	–	(1)	(1)	242	263
	914	954	1,430	2,176	12	9	(2)	(2)	5,976	22,114
	572	398	439	647	4	5	–	–	4,609	5,053
	(103)	161	174	612	–	–	–	–	(1,444)	13,738
	(18)	18	–	–	–	–	–	–	(155)	258
	159	102	473	554	4	4	(1)	(1)	1,179	1,116
	246	197	54	141	1	–	–	–	873	976
	6	18	9	13	–	–	–	–	126	163
	3	(28)	38	(43)	–	–	–	–	33	(119)
	864	865	1,187	1,924	9	9	(1)	(1)	5,220	21,185
	49	**89**	**243**	**252**	**3**	**–**	**(1)**	**(1)**	**756**	**929**
	4	4	3	4	–	–	–	–	19	26
	4	6	4	7	–	–	–	–	31	56
	7	8	–	–	–	–	(1)	(1)	7	9
	34	71	234	240	3	–	–	–	698	838
	(1)	(1)	90	111	–	–	–	–	139	137
	35	**71**	**145**	**130**	**3**	**–**	**–**	**–**	**559**	**701**

Consolidated financial statements (continued)

Business operating profit by business

Table 14.3

in USD millions, for the six months ended June 30

	Property & Casualty		Life	
	2020	2019	**2020**	2019
Revenues				
Direct written premiums	17,970	17,830	5,740	6,100
Assumed written premiums	967	725	100	239
Gross Written Premiums	18,937	18,555	5,840	6,340
Policy fees	–	–	959	1,025
Gross written premiums and policy fees	18,937	18,555	6,799	7,365
Less premiums ceded to reinsurers	(4,531)	(4,104)	(604)	(535)
Net written premiums and policy fees	14,406	14,451	6,195	6,830
Net change in reserves for unearned premiums	(1,794)	(2,069)	(55)	(184)
Net earned premiums and policy fees	12,612	12,382	6,140	6,645
Farmers management fees and other related revenues	–	–	–	–
Net investment income on Group investments	901	967	1,360	1,484
Net capital gains/(losses) and impairments on Group investments	42	162	(6)	376
Net investment result on Group investments	943	1,129	1,354	1,860
Net investment result on unit-linked investments	–	–	(1,761)	13,345
Other income	315	303	242	263
Total BOP revenues	13,870	13,814	5,976	22,114
of which: inter-business revenues	(12)	(131)	(85)	(69)
Benefits, losses and expenses				
Losses and loss adjustment expenses, net	8,458	7,734	–	–
Life insurance death and other benefits, net	1	–	4,609	5,053
Insurance benefits and losses, net	8,460	7,734	4,609	5,053
Policyholder dividends and participation in profits, net	8	(3)	(1,444)	13,738
Income tax expense/(benefit) attributable to policyholders	–	–	(155)	258
Underwriting and policy acquisition costs, net	3,060	2,995	1,179	1,116
Administrative and other operating expense (excl. depreciation/amortization)	1,229	1,171	873	976
Interest credited to policyholders and other interest	140	115	126	163
Restructuring costs and other items not included in BOP	(19)	(74)	33	(119)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	12,877	11,938	5,220	21,185
Business operating profit (before interest, depreciation and amortization)	**993**	**1,876**	**756**	**929**
Depreciation and impairments of property and equipment	115	93	19	26
Amortization and impairments of intangible assets	78	62	31	56
Interest expense on debt	8	20	7	9
Business operating profit before non-controlling interests	791	1,701	698	838
Non-controlling interests	40	45	139	137
Business operating profit	**751**	**1,656**	**559**	**701**

Life includes approximately USD 445 million and USD 875 million of gross written premiums and future life policyholder benefits for certain universal life-type contracts in the Group's Spanish operations for the six months ended June 30, 2020 and 2019, respectively.

Consolidated financial statements (continued)

	Farmers		Group Functions and Operations		Non-Core Businesses		Eliminations		Total
2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
302	295	–	–	12	30	–	–	24,024	24,255
24	99	–	–	28	97	(8)	(76)	1,111	1,084
326	393	–	–	40	127	(8)	(76)	25,135	25,339
166	162	–	–	12	10	–	–	1,136	1,198
491	555	–	–	52	137	(8)	(76)	26,271	26,536
(86)	(88)	–	–	(1)	(136)	8	76	(5,214)	(4,786)
405	468	–	–	51	1	–	–	21,058	21,750
–	(1)	–	–	3	15	–	–	(1,846)	(2,239)
405	467	–	–	54	17	–	–	19,212	19,511
1,807	1,868	–	–	–	–	–	–	1,807	1,868
99	103	87	101	99	95	(59)	(94)	2,486	2,657
(2)	2	–	–	252	120	–	–	287	660
97	105	87	101	351	215	(59)	(94)	2,773	3,317
(32)	122	–	–	78	408	–	–	(1,715)	13,875
42	64	67	116	(13)	24	(175)	(205)	479	565
2,319	2,626	155	217	470	664	(234)	(299)	22,556	39,136
(11)	(21)	(119)	(132)	(6)	55	234	299	–	–
15	71	–	–	5	23	–	–	8,478	7,828
220	202	–	–	346	188	–	–	5,176	5,443
235	272	–	–	351	212	–	–	13,654	13,271
(27)	127	–	–	87	415	–	–	(1,377)	14,276
–	–	–	–	–	–	–	–	(155)	258
55	77	2	–	5	10	–	–	4,301	4,198
1,153	1,142	231	147	49	36	(36)	6	3,500	3,477
51	55	62	75	13	17	(125)	(143)	267	282
(5)	(8)	(59)	17	–	(1)	–	–	(50)	(184)
1,462	1,665	236	239	505	688	(161)	(137)	20,140	35,579
857	**961**	**(81)**	**(22)**	**(35)**	**(24)**	**(72)**	**(162)**	**2,417**	**3,558**
31	35	5	5	–	–	–	–	170	159
47	61	20	16	–	–	–	–	177	194
–	–	242	328	4	13	(72)	(162)	188	208
779	866	(349)	(371)	(39)	(37)	–	–	1,881	2,998
–	–	–	–	–	–	–	–	180	182
779	**866**	**(348)**	**(371)**	**(39)**	**(37)**	**–**	**–**	**1,702**	**2,815**

Consolidated financial statements (continued)

Reconciliation of BOP to net income after income taxes

Table 14.4

in USD millions, for the six months ended June 30

	Property & Casualty		Life	
	2020	2019	**2020**	2019
Business operating profit	**751**	**1,656**	**559**	**701**
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	14	170	69	57
Net gains/(losses) on divestment of businesses[1]	–	(196)	(26)	10
Restructuring costs	(8)	(26)	(10)	(25)
Other adjustments[2]	(12)	(48)	43	(95)
Add back:				
Business operating profit attributable to non-controlling interests	40	45	139	137
Net income before shareholders' taxes	786	1,602	775	786
Income tax expense/(benefit) attributable to policyholders	–	–	(155)	258
Net income before income taxes	**786**	**1,602**	**620**	**1,044**
Income tax (expense)/benefit				
attributable to policyholders				
attributable to shareholders				
Net income after taxes				
attributable to non-controlling interests				
attributable to shareholders				

[1] In 2020, Life included losses of USD 19 million and Group Functions gains of USD 7 million respectively related to the sale of the UK Retail Wealth business. Life included losses of USD 7 million related to the sale of the UK Life portfolio (see note 3). In 2019, Property & Casualty included losses of USD 217 million related to the sale of the Venezuelan operations offset by gains of USD 21 million related to the sale of ADAC Autoversicherung AG.
[2] Other adjustments in 2020 and 2019 include charges related to the implementation of IFRS 17, business combination integration costs and monetary losses related to hyperinflation accounting in relation to the Group's operations in Argentina.

Consolidated financial statements (continued)

	Farmers		Group Functions and Operations		Non-Core Businesses		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	779	**866**	**(348)**	**(371)**	**(39)**	**(37)**	**1,702**	**2,815**
	6	5	(105)	(45)	5	60	(11)	247
	–	–	7	–	–	–	(18)	(186)
	2	(3)	(4)	(3)	–	(1)	(19)	(56)
	(6)	(5)	(56)	20	–	–	(31)	(128)
	–	–	–	–	–	–	180	182
	780	863	(506)	(399)	(34)	23	1,802	2,875
	–	–	–	–	–	–	(155)	258
	780	**863**	**(506)**	**(399)**	**(34)**	**23**	**1,646**	**3,132**
							(341)	(973)
							155	(258)
							(496)	(715)
							1,305	**2,159**
							124	118
							1,181	2,041

Consolidated financial statements (continued)

Property & Casualty – Commercial and Retail Insurance overview[1]

Table 14.5

in USD millions, for the six months ended June 30	Commercial Insurance[2]		Retail and SME[2]	
	2020	2019	**2020**	2019
Gross written premiums and policy fees	13,306	12,590	6,470	6,815
Net earned premiums and policy fees	6,947	6,662	5,665	5,768
Insurance benefits and losses, net	4,819	4,371	3,236	3,188
Policyholder dividends and participation in profits, net	5	(5)	3	2
Total net technical expenses	2,041	1,937	2,079	2,163
Net underwriting result	81	359	347	415
Net investment income	651	700	244	257
Net capital gains/(losses) and impairments on investments	42	149	–	13
Net non-technical result (excl. items not included in BOP)	(48)	3	(111)	3
Business operating profit before non-controlling interests	726	1,211	481	689
Non-controlling interest	(1)	2	41	43
Business operating profit	**726**	**1,209**	**440**	**646**

[1] Commercial and Retail Insurance overview exclude Group Reinsurance.
[2] Beginning in 2020, the Group's Commercial Insurance figures includes the North American alternative markets business, which was previously reported within Retail and other; Retail and other has been renamed as Retail and SME accordingly. Alternative markets includes businesses such as Captives, Programs, Crop, and Direct Markets which by nature are closer to how the Group and external stakeholders define commercial insurance. Prior year Commercial and Retail and SME figures have been restated for comparative purposes. Retail business BOP shifted to Commercial amounted to USD 183 million and USD 258 million for the six months ended June 30, 2020 and 2019, respectively.

15. Events after the balance sheet date

On July 26, 2020, Zurich Finance (Australia) Limited paid back USD 171 million of a floating rate loan.

Review report of the auditors

Review report

to the Board of Directors on the unaudited consolidated financial statements of Zurich Insurance Group Ltd Zurich

Introduction
We have reviewed the unaudited consolidated financial statements (income statements, statements of comprehensive income, balance sheets, statements of cash flows, statements of changes in equity and notes) (pages 13 to 53) of Zurich Insurance Group Ltd and its subsidiaries for the period ended June 30, 2020. The Board of Directors is responsible for the preparation and presentation of these unaudited consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting." Our responsibility is to express a conclusion on these unaudited consolidated financial statements based on our review.

Scope of Review
We conducted our review in accordance with Swiss Auditing Standard 910 and International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swiss Auditing Standards and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the unaudited consolidated financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting."

PricewaterhouseCoopers AG

Alex Finn Mark Humphreys

Zurich, August 12, 2020

THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK

Additional information

Contents

Additional information (continued)

Zurich Insurance Group Ltd registered share data

Zurich shares

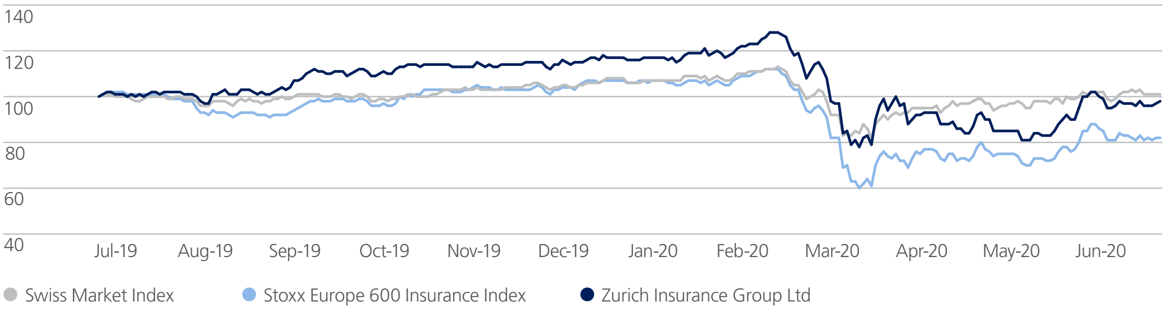
Zurich had a market capitalization of CHF 50 billion on June 30, 2020. The shares are listed on the SIX Swiss Exchange and traded on the SIX Swiss Exchange Blue Chip Segment; ticker symbol: ZURN; the Swiss security number (Valorennummer) is 1107539. Trading in Zurich Insurance Group Ltd shares on the Blue Chip Segment is conducted in Swiss francs.

Share price performance

The share price at the end of June 2020 was CHF 334.20. The lowest price during the first half year in 2020 was CHF 266.90 on March 18, while the highest price was CHF 439.90 on February 19.

Zurich share performance (indexed) over one year, ending June 2020

%



Source: Thomson Reuters Datastream

Dividend

Financial Year	Payment date as from	Total dividend per registered share in CHF	Paid from available earnings[1] in CHF	Paid from capital contribution reserve in CHF
2019	April 7, 2020	20.00	20.00	--
2018	April 9, 2019	19.00	19.00	--
2017	April 10, 2018	18.00	16.60	1.40
2016	April 4, 2017	17.00	11.30	5.70
2015	April 5, 2016	17.00	--	17.00
2014	April 9, 2015	17.00	--	17.00
2013	April 9, 2014	17.00	--	17.00
2012	April 11, 2013	17.00	--	17.00
2011	April 5, 2012	17.00	--	17.00
2010	April 7, 2011	17.00	--	17.00

[1] Gross dividend, subject to 35% Swiss withholding tax

Glossary

Group

Book value per share

is a measure that is calculated by dividing shareholders' equity by the number of shares issued less the number of treasury shares as of the period end.

Business operating profit (BOP)

is the Group's internal performance measure, on which the Group manages all of its business units. It indicates the underlying performance, after non-controlling interests, by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains/(losses) and impairments on investments (except for certain non-insurance operations included in Non-Core Businesses, investments in hedge funds as at fair value through profit or loss, certain securities held for specific economic hedging purposes and policyholders' share of investment results for the life businesses) and non-operational foreign exchange movements. Significant items arising from special circumstances, including restructuring charges, legal matters or large one-off regulatory projects outside the ordinary course of business, gains and losses on divestment of businesses, certain business combination integration costs and impairments of goodwill are also excluded from BOP. **Business operating profit before interest, depreciation and amortization (BOPBIDA)** excludes interest expense on debt, depreciation and impairments of property and equipment and amortization and impairments of intangible assets. BOPBIDA includes amortization of deferred policy acquisition costs, deferred origination costs and distribution agreements. Please refer to the 'consolidated financial statements, Note 14. Segment information, Table 14.4' for further information.

Business operating profit (after-tax) return on shareholders' equity (BOPAT ROE)

indicates the level of BOP relative to resources provided by shareholders. It is calculated as BOP, annualized on a linear basis and adjusted for taxes, divided by the average value of shareholders' equity, adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges, using the value at the beginning and end of each quarter within the period. The average shareholders' equity for each quarter is then added together and divided by the number of quarters. If the dividend is approved at the Annual General Meeting within the first ten working days in April, then the dividend is deducted from the second quarter opening shareholders' equity. Please refer to the 'supplementary information (unaudited)/ROE, EPS and BVPS' for further information.

Cash remittances

is the net extraction of capital from each of the business units (P&C, Life, Farmers and Non-Core Business) to Group Functions & Operations (GF&O) and after all central costs in GF&O. Cash remittances are typically extracted from subsidiaries by way of dividends, capital reductions, repayment of intragroup debt and reinsurance profits.

Investments

Total investments in the consolidated balance sheets include **Group investments** and investments for unit-linked contracts. Group investments are those for which the Group bears part or all of the investment risk. They also include investments related to investment contracts with discretionary participation features. Average invested assets include investment cash, but exclude cash collateral received for securities lending. The Group manages its diversified investment portfolio to optimize benefits for both shareholders and policyholders while ensuring compliance with local regulatory and business requirements under the guidance of the Group's Asset/Liability Management and Investment Committee. **Investments for unit-linked contracts** include investments where the policyholder bears the investment risk, and are held for liabilities related to unit-linked investment contracts and reserves for unit-linked contracts. They are managed in accordance with the investment objectives of each unit-linked fund. The investment result for unit-linked products is passed to policyholders through a charge to policyholder dividends and participation in profits.

Like-for-like

is the change in the underlying metric over a period of time and after removing the impact of foreign exchange movements and the impact of acquisitions and disposals.

Net savings

are based on savings calculated on the total direct cash expenses of the Group including unallocated loss adjustment expenses (ULAE) after allowance for inflation and incremental investment.

Return on shareholders' equity (ROE)

is a measure that indicates the level of profit or loss relative to resources provided by shareholders. It is calculated as net income after taxes attributable to shareholders, annualized on a linear basis, divided by the average value of shareholders' equity, adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges, using the value at the beginning and end of each quarter within the period. The average shareholders' equity for each quarter is then added together and divided by the number of quarters. If the dividend is approved at the Annual General Meeting within the first ten working days in April, then the dividend is deducted from the second quarter opening shareholders' equity. Please refer to the 'supplementary information (unaudited)/ROE, EPS and BVPS' for further information.

Zurich Economic Capital Model (Z-ECM)

is an internal economic capital model which defines the Z-ECM capital required to protect the Group's policyholders in order to meet all of their claims with a confidence level of 99.95 percent over a one-year time horizon. The Z-ECM ratio is defined as the ratio of the Group's available financial resources defined under the Z-ECM to the required capital under the Z-ECM model. Please refer to the 'Annual Report/risk review' for further information.

Glossary (continued)

Property & Casualty

The following Property & Casualty (P&C) measures are net of reinsurance.

Net underwriting result
is calculated as the difference between net earned premiums and policy fees and the sum of net insurance benefits and losses and net technical expenses. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Total net technical expenses
includes underwriting and policy acquisition costs, as well as the technical elements of administrative and other operating expenses, amortization of intangible assets, interest credited to policyholders and other interest, and other income. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Combined ratio
is a performance measure that indicates the level of claims and net technical expenses during the period, relative to net earned premiums and policy fees. It is calculated as the sum of the loss ratio and the expense ratio. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Loss ratio
is a performance measure that indicates the level of claims during the period relative to net earned premiums and policy fees. It is calculated as insurance benefits and losses net, which include incurred claims, both paid and reserved, and claims handling costs, divided by net earned premiums and policy fees. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Expense ratio
is a performance measure that indicates the level of technical expenses during the period relative to net earned premiums and policy fees. It is calculated as the sum of net technical expenses and policyholder dividends and participation in profits, divided by net earned premiums and policy fees. Please refer to the 'Supplementary information (unaudited)/P&C by segment & customer units' for further information.

Net non-technical result
includes expenses or income not directly linked to insurance operating performance, such as gains/losses on foreign currency translation and interest expense on debt. It includes the impact of financial market volatility and other non-operational variables that distort the ongoing business performance. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Life

Embedded value (EV) principles
is a methodology using a 'bottom-up' market consistent approach, which explicitly allows for market risk. In particular, asset and liability cash flows are valued using risk discount rates consistent with those applied to similar cash flows in the capital markets. Options and guarantees are valued using market consistent models calibrated to observable market prices. Please refer to the 'embedded value report/embedded value methodology' for further information.

Insurance deposits
are deposits, similar to customer account balances, not recorded as revenues. However, the fees charged on insurance deposits are recorded as revenue within gross written premiums and policy fees. These deposits arise from investment contracts and insurance contracts that are accounted for under deposit accounting. They represent the pure savings part, which is invested.

New business annual premium equivalent (APE)
is a sales index that reflects the volume of life new business sales during the period. APE is calculated as the value of new annual premiums plus 10 percent of new single premiums sold in the period and is stated before the effect of non-controlling interests. **Present value of new business premiums (PVNBP)** is calculated as the present value of new business premiums discounted at the risk-free rate, before the effect of non-controlling interests.

New business margin (NBM)
is a measure that reflects the profitability of new business and is calculated as the new business value divided by APE after the effect of non-controlling interests.

New business value (NBV), after tax
is a measure that reflects the value added by new business written during the period, including allowances for frictional costs, time value of options and guarantees, and the cost of non-market risk, and is valued at the point of sale. It is calculated as the present value of the projected after-tax profit from life insurance contracts sold during the period using a valuation methodology consistent with the EV principles, after the effect of non-controlling interests.

Farmers

Gross management result
is a performance measure of Farmers Management Services calculated as management fees and other related revenues minus management and other related expenses, including amortization and impairments of intangible assets. Please refer to the 'supplementary information (unaudited)/Farmers' for further information.

Managed gross earned premium margin
is a performance measure calculated as the gross management result of Farmers Management Services divided by the gross earned premiums of the Farmers Exchanges, which are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges.

Contact information

For more information please contact the appropriate office below, or visit our website at www.zurich.com

Registered Office
Zurich Insurance Group Ltd
Mythenquai 2
8002 Zurich, Switzerland

Media Relations
Zurich Insurance Group Ltd, Switzerland
Telephone: +41 (0)44 625 21 00
Email: media@zurich.com

Investor Relations
Zurich Insurance Group Ltd, Switzerland
Telephone: +41 (0)44 625 22 99
Email: investor.relations@zurich.com

Share Register Services
Zurich Insurance Group Ltd, Switzerland
Telephone: +41 (0)44 625 22 55
Email: shareholder.services@zurich.com
Website: www.zurich.com/shareholder-area

Sustainability
Zurich Insurance Group Ltd, Switzerland
Email: sustainability@zurich.com

Financial calendar

Update for the nine months ended September 30, 2020
November 12, 2020

Annual results 2020
February 11, 2021

Annual General Meeting 2021
April 7, 2021

Update for the three months ended March 31, 2021
May 12, 2021

Half year results 2021
August 12, 2021

Update for the nine months ended September 30, 2021
November 11, 2021

Note: all dates are subject to change.

For more information please visit our website:
www.zurich.com/en/investor-relations/calendar

Disclaimer and cautionary statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives of Zurich Insurance Group Ltd or the Zurich Insurance Group (the Group). Forward-looking statements include statements regarding the Group's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding the Group's 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 Insurance Group Ltd or 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 key markets; (ii) the risk of a global economic 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; (viii) increased litigation activity and regulatory actions; and (ix) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and its Group and on whether the targets will be achieved. Specifically in relation with the COVID-19 related statements, such statements were made on the basis of circumstances prevailing at a certain time and on the basis of specific terms and conditions (in particular applicable exclusions) of insurance policies as written and interpreted by the Group and may be subject to regulatory, legislative, governmental and litigation-related developments affecting the extent of potential losses covered by a member of the Group or potentially exposing the Group to additional losses if terms or conditions are retroactively amended by way of legislative or regulatory action. Zurich Insurance Group 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.

All references to "Farmers Exchanges" mean Farmers Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange and their subsidiaries and affiliates. The three Exchanges are California domiciled inter-insurance exchanges owned by their policyholders with governance oversight by their Boards of Governors. Farmers Group, Inc. and its subsidiaries are appointed as the attorneys-in-fact for the Farmers Exchanges and in that capacity provide certain non-claims services and ancillary services to the Farmers Exchanges. Neither Farmers Group, Inc., nor its parent companies, Zurich Insurance Company Ltd and Zurich Insurance Group Ltd, have any ownership interest in the Farmers Exchanges. Financial information about the Farmers Exchanges is proprietary to the Farmers Exchanges, but is provided to support an understanding of the performance of Farmers Group, Inc. and Farmers Reinsurance Company.

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 full year results.

Persons requiring advice should consult an independent adviser.

This communication does not constitute an offer or an invitation for the sale or purchase of securities in any jurisdiction.

THIS COMMUNICATION DOES NOT CONTAIN AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES; SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR EXEMPTION FROM REGISTRATION, AND ANY PUBLIC OFFERING OF SECURITIES TO BE MADE IN THE UNITED STATES WILL BE MADE BY MEANS OF A PROSPECTUS THAT MAY BE OBTAINED FROM THE ISSUER AND THAT WILL CONTAIN DETAILED INFORMATION ABOUT THE COMPANY AND MANAGEMENT, AS WELL AS FINANCIAL STATEMENTS.

The Half Year Report is published in English only.

Design by Radley Yeldar, www.ry.com

Photography: AdobeStock (cover), Ivan Stefania (page 2)

Layout: NeidhartSchön AG, Zurich, www.neidhartschoen.ch

Publishing system: ns.publish by mms solutions AG, Zurich,
www.mmssolutions.io

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

ZURICH®