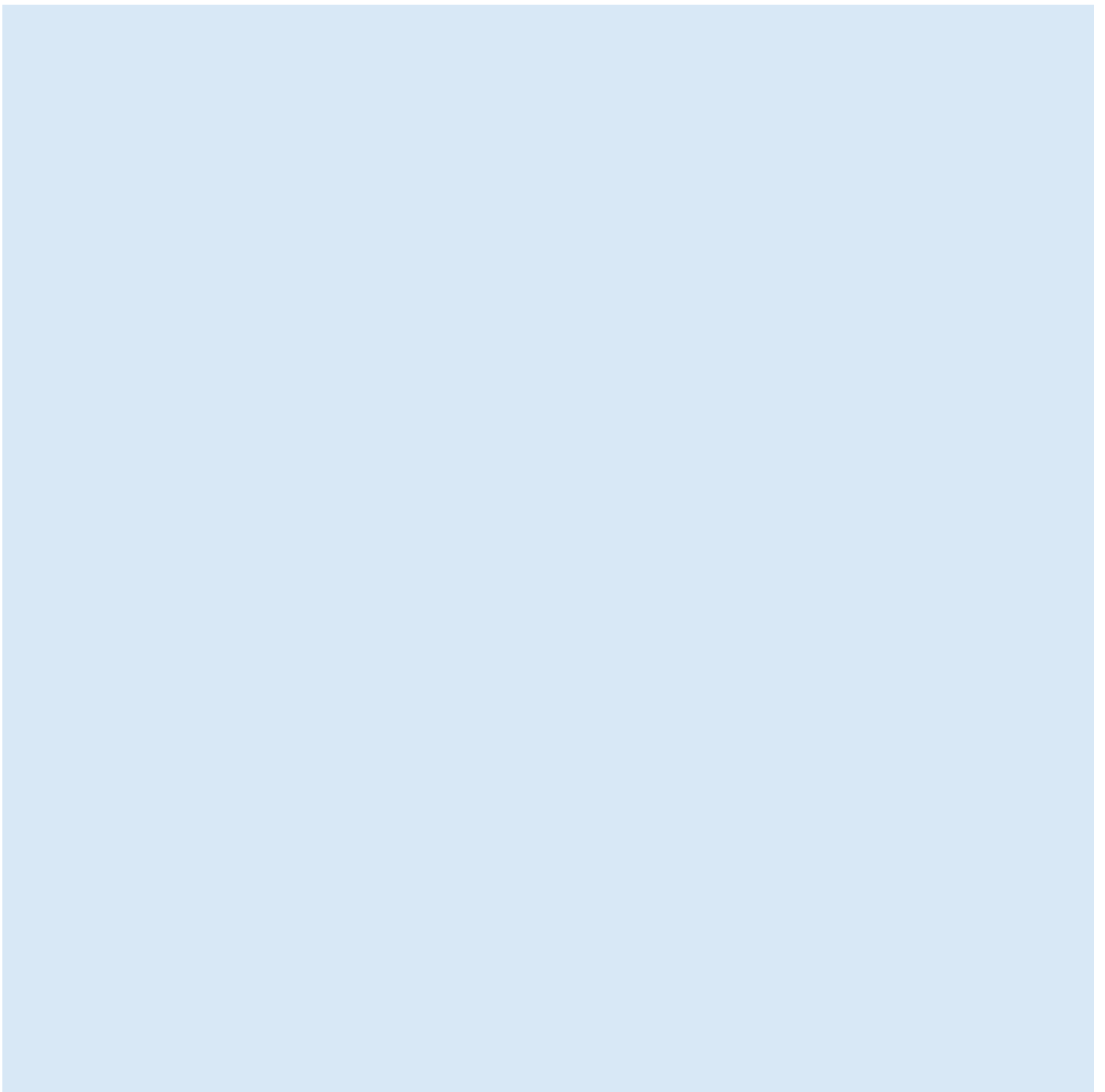


Consolidated financial statements (unaudited)

Results for the six months ended June 30, 2020



Consolidated financial statements

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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.

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

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.

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'.

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
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		Effective date
Standard/ Interpretation	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		Effective date
Standard/ Interpretation	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		Total¹
OnePath balance sheet as of the acquisition date	in USD millions, as of May 31, 2019	
	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
investmentsin 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)

Table 4.3

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

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)
Total¹		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.

Table 4.4

Securities lending, repurchase and reverse repurchase agreements

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

Table 5.1

Liabilities for insurance contracts

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 contracts¹	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.

Table 5.2

Development of reserves for losses and loss adjustment expenses

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.

Table 5.3

Development of
future life
policyholder
benefits

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).

Table 5.4

Policyholder
contract
deposits and
other funds gross

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

Table 5.5

Development of
policyholder
contract deposits
and other funds

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).

Consolidated financial statements (continued)

6. Policyholder dividends and participation in profits

Table 6			
in USD millions, for the six months ended June 30			
		2020	2019
Policyholder dividends and participation in profits	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

Table 7.1

Development of deferred policy acquisition costs	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.

Table 7.2

Development of deferred origination costs	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

Table 8.1							
Intangible assets – current period	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.

Table 8.2							
Intangible assets by business – current period	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)

Table 8.3

Intangible assets –
prior period

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.

Table 8.4

Intangible assets
by business –
prior period

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

Table 9			
Restructuring provisions	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

Table 10.1				
in USD millions, for the six months ended June 30				
		2020	2019	
Income tax expense – current/deferred split	Current	594	840	
	Deferred	(253)	133	
	Total income tax expense/(benefit)	341	973	

Table 10.2				
in USD millions, for the six months ended June 30				
	Rate	2020	Rate	2019
Expected and actual income tax expense				
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.

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11. Senior and subordinated debt

Table 11		06/30/20	12/31/19	
in USD millions, as of				
Senior and subordinated debt	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.

Table 12			
Quantifiable commitments and contingencies	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.

Table 13.1				
Fair value and carrying value of financial assets and financial liabilities	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 assets¹	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 liabilities¹	(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

Table 13.2a				
Fair value hierarchy – non-unit-linked – current period	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)

Table 13.2b		Level 1	Level 2	Level 3	Total
Fair value hierarchy – non-unit-linked – prior period	in USD millions, as of December 31, 2019				
	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)	

Table 13.3a		Available-for-sale securities		Fair value through profit or loss securities		Derivative assets	Derivative liabilities
in USD millions		Equity securities	Debt securities	Equity securities	Debt securities		
Development of assets and liabilities classified within level 3 – non-unit-linked – current period	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.

Table 13.3b		Available-for-sale securities		Fair value through profit or loss securities		Derivative assets	Derivative liabilities
in USD millions		Equity securities	Debt securities	Equity securities	Debt securities		
Development of assets and liabilities classified within level 3 – non-unit-linked – prior period	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.

Consolidated financial statements (continued)

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)

Table 14.3

in USD millions, for the six months ended June 30

Business operating profit by business	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)

Table 14.4

in USD millions, for the six months ended June 30

Reconciliation of
BOP to net income
after income taxes

	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.

Consolidated financial statements (continued)

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 3 to 43) 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

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 advisor.

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