
Letter to Shareholders 2014

Results for the six months to June 30, 2014



Dear Shareholder,

In the six months to June 30, 2014, we reported business operating profit (BOP)¹ of USD 2.6 billion, an increase of 15 percent compared with the same period in 2013. Net income attributable to shareholders increased by 14 percent to USD 2.1 billion compared with the previous year. Against the backdrop of a slowly-improving global economy, we have made clear progress on the execution of our 2014–2016 strategy and delivery against our targets.

General Insurance has made good progress on turning around or exiting underperforming businesses, and improving the accident year combined ratio. Global Life continues to focus on its priority markets while taking steps to improve its in-force business. We have seen further positive trends at the Farmers Exchanges,² with improved customer satisfaction and agent retention.

Our strong cash generation reflects the continued stability of our business. We project that full-year cash remittances will be in excess of USD 3.5 billion, ahead of 2013. After deducting for the 2013 dividend of CHF 17.00 per registered share, shareholders' equity was USD 33.7 billion, an increase of USD 1.2 billion compared with December 31, 2013.

Implementing our 2014–2016 strategy

While we are still in the early stages of our three-year plan, we are on track against our 2014–2016 targets. Much of the groundwork for future investment in priority markets in each of our customer segments has been done. For example, we have established consistent customer segmentation across Global Corporate and Corporate Life & Pensions, offering composite non-life and life insurance solutions to large corporate customers. We are well on track to meet our plan of 100 new common customers across these businesses by year-end.



Tom de Swaan and Martin Senn

¹ Business operating profit indicates the underlying performance of the Group's business units by eliminating the impact of financial market volatility and other non-operational variables.

² The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims administrative and management services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

We have also made progress in the businesses we are managing for value. In July we announced the sale of our Russian general insurance retail business and exit from Zurich-branded aggregator distribution in the UK.

Our plans include making Zurich less complex and achieving continuing annual savings of approximately USD 250 million in running costs by the end of 2015. We have largely completed the streamlining of the organizational structure, which affects around 670 positions globally. The process is designed to reduce complexity and cost while enhancing agility.

As part of our initiatives to enhance investment returns, Investment Management has completed the objective of deploying additional risk capital. We have also already invested or committed to invest USD 1 billion in illiquid assets so far this year, while maintaining our disciplined investment approach.

Investing for returns and social benefits

Corporate responsibility is an important part of our strategy and includes responsible investing. This year we announced that we would double our commitment to invest in 'green bonds' up to a maximum of USD 2 billion, provided the market continues to develop in a positive fashion. These bonds, pioneered by organizations including the World Bank and the European Investment Bank, are used to fund projects around the world to help mitigate climate change and assist communities to adapt to its consequences.

We also published our first progress report on implementing the United Nations-supported Principles for Responsible Investment (PRI) in May. The Principles provide a framework for a more stable, sustainable financial system. Including these factors alongside traditional financial metrics will help us to achieve superior risk-adjusted long-term financial returns.

Leadership appointments

At Zurich's Annual General Meeting (AGM) in April, shareholders elected Christoph Franz to the Board of Directors. Christoph Franz served as Chairman of the Executive Board and CEO of Deutsche Lufthansa AG until the end of May. In 2014, he was also elected Chairman of the Board of Roche. As announced at the time, Rolf Watter and Victor L.L. Chu retired from our Board.

Underscoring the important role our people play in achieving our strategic goals, we have added the role of Chief Human Resources Officer to the Group Executive Committee and appointed Isabelle Welton to this position. Isabelle Welton previously served as Group Chief of Staff. She joined Zurich in 2013 from IBM, where she held several senior leadership positions, including Country General Manager for Switzerland.

Global growth continuing

Despite volatile growth in many regions during the first half of the year, the global recovery remains intact. Our strategy will equip us to meet the challenges of a changing and more competitive environment. Our strong cash and capital positions provide us with a robust platform to execute our strategy. We are pleased with the progress we have made and thank you and all our stakeholders for your continued support.



For more information on Zurich's financial performance, please go to the 'Half year results 2014' section of our website. It contains a detailed press release in German and English as well as financial reports and presentations (in English only). You can find it by going to the 'Investor relations' section of www.zurich.com and selecting 'Latest results.'

 www.zurich.com

Yours sincerely,

Tom de Swaan

Chairman of the Board of Directors

Martin Senn

Chief Executive Officer

Shareholder information

Financial highlights (unaudited)

in USD millions, for the six months ended June 30, unless otherwise stated	H1 2014	H1 2013	Change in USD ¹
Business operating profit	2,621	2,288	15%
Net income attributable to shareholders	2,109	1,851	14%
General Insurance gross written premiums and policy fees	19,995	19,770	1%
Global Life gross written premiums, policy fees and insurance deposits	14,221	13,029	9%
Farmers Management Services management fees and other related revenues	1,391	1,408	(1%)
Farmers Re gross written premiums and policy fees	1,960	2,034	(4%)
General Insurance business operating profit	1,652	1,369	21%
General Insurance combined ratio	96.1%	98.1%	2.0 pts
Global Life business operating profit	634	659	(4%)
Global Life new business annual premium equivalent (APE) ²	2,373	2,081	14%
Global Life new business margin, after tax (as % of APE) ²	24.6%	29.6%	(5.0 pts)
Global Life new business value, after tax ²	515	547	(6%)
Farmers business operating profit	756	696	9%
Farmers Management Services gross management result	674	670	1%
Farmers Management Services managed gross earned premium margin	7.3%	7.1%	0.2 pts
Average Group investments	211,012	205,726	3%
Net investment result on Group investments	4,369	3,323	31%
Net investment return on Group investments ³	2.1%	1.6%	0.5 pts
Total return on Group investments ³	4.8%	(0.5%)	5.2 pts
Shareholders' equity ⁴	33,699	32,503	4%
Swiss Solvency Test capitalization ratio ⁵	217%	206%	11.0 pts
Diluted earnings per share (in CHF)	12.66	11.70	8%
Book value per share (in CHF) ⁴	201.75	196.14	3%
Return on common shareholders' equity (ROE) ⁶	13.9%	12.7%	1.2 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) ⁶	12.5%	12.1%	0.4 pts

The table above presents the summarized consolidated results of the Group for the six months ended June 30, 2014 and 2013, and the financial position as of June 30, 2014 and December 31, 2013, respectively. Interim results are not necessarily indicative of full year results. All amounts are shown in USD millions and rounded to the nearest million unless otherwise stated with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amount rather than the rounded amount. This document should be read in conjunction with the Annual Report 2013 for Zurich Insurance Group available on www.zurich.com and with its unaudited Consolidated financial statements for the six months ended June 30, 2014.

¹ Parentheses around numbers represent an adverse variance.

² Details of the principles for calculating new business are included in the Embedded value report in the Annual Report 2013. New business value and new business margin are calculated after the effect of non-controlling interests whereas APE is presented before non-controlling interests.

³ Calculated on average Group investments.

⁴ As of June 30, 2014 and December 31, 2013, respectively.

⁵ Ratios as of January 1, 2014 and July 1, 2013, respectively. The Swiss Solvency Test (SST) ratio is calculated based on the Group's internal model, and both are subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). The ratio is filed with FINMA bi-annually.

⁶ Shareholders' equity adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges.

Contact

For more information please visit:
[www.zurich.com/en/investor-relations/
shareholder-information](http://www.zurich.com/en/investor-relations/shareholder-information)

Registered Office

Zurich Insurance Group Ltd
Mythenquai 2, 8002 Zurich,
Switzerland

Financial Calendar

Results for the nine months
to September 30, 2014 – November 6, 2014
Investor update – December 5, 2014
Annual results 2014 – February 12, 2015
Annual General Meeting 2015 – April 1, 2015
Results for the three months
to March 31, 2015 – May 7, 2015
Half year results 2015 – August 6, 2015

Note: all dates are subject to change

Disclaimer & 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; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; and (viii) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and its Group and on whether the targets will be achieved. 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 interinsurance 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 administrative and management 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. This communication does not constitute an offer or an invitation for the sale or purchase of securities in any jurisdiction.

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

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

Zurich Insurance Group

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



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