*News Release*

**May 10, 2012**

# Zurich reports very strong results with continued progress on strategic targets

- **Q1 BOP of USD 1,375 million, up 61% compared with prior year**
- **Q1 NIAT[1] of USD 1,143 million, up 78% compared with prior year**
- **Q1 combined ratio of 94.6%, compared with 103.6% in the prior year**
- **BOPAT ROE 13.4% up from 8.5% at Q1 2011 and 10.2% at year-end 2011**
- **Strong profitability reflecting excellent underwriting performance and a lower level of major catastrophe and large losses**
- **Improving top-line growth in all core segments**
- **Sustained momentum in developing high-potential growth markets presence, including exclusive distribution agreement with HSBC in the Middle East**

## Select financial highlights for the Group as of March 31, 2012 (unaudited)

(For a more comprehensive set of financial highlights covering the three months ended March 31, see page 8)

| in USD millions, for the three months ended March 31, unless otherwise stated | 2012 | 2011 | Change in USD | Change in LC |
|---|---|---|---|---|
| Business operating profit | 1,375 | 854 | 61% | 62% |
| Net income after tax attributable to shareholders | 1,143 | 640 | 78% | 79% |
| Total Group business volumes[2] | 19,629 | 17,869 | 10% | 12% |
| Net investment return on Group investments | 0.9% | 0.9% | - | - |
| Total return on Group investments | 2.1% | 0.3% | 1.7 pts | 1.7 pts |
| Shareholders' equity[3] | 31,815 | 31,636 | 1% | - |
| Diluted earnings per share (in CHF) | 7.16 | 4.09 | - | - |
| Book value per share (in CHF)[3] | 195.74 | 203.15 | - | - |
| Return on common shareholders' equity (ROE)[4] | 14.4% | 8.3% | 6.1 pts | 5.8 pts |
| Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)[4] | 13.4% | 8.5% | 4.9 pts | 4.6 pts |

Zurich, May 10, 2012 – Zurich Insurance Group (Zurich) today reported a business operating profit (BOP) of USD 1.4 billion and net income after tax[1] (NIAT) of USD 1.1 billion for the three months ended March 31, 2012.

"The execution of our strategy continues to be on track. Our acquisitions and alliances have allowed us to deepen our position in several key markets. Last month, we signed a 10 year exclusive distribution agreement to be the provider of wealth insurance products to HSBC clients in the United Arab Emirates, Bahrain and Qatar. In Singapore, we now hold the license to access all of our target segments for life insurance products, while in Malaysia, we have completed the renaming of MAA to the Zurich brand combining the strong local heritage and market position with global insurance expertise. And in Latin America, we already see the positive impact of the insurance businesses acquired from Santander," said Chief Executive Officer Martin Senn.

The Group remains focused on delivering its targets. The underlying loss ratio of General Insurance improved 3.2 percentage points to 62.3% in the first three months of 2012. The business segment showed a strong business operating profit (BOP) also benefiting from the absence of major catastrophes compared with the first three months of last year.

Global Life continued to show strong organic growth of new business value (NBV) in Latin America (before any contribution from Santander) and in April added a key exclusive distribution agreement with HSBC in the Middle East.

Farmers showed strong profit growth in the management services company, while weather-related events led to reduced profit from the reinsurance operations.

The non-core businesses recorded improved profitability, mainly resulting from profits in run-off life insurance portfolios.

The Group maintains a strong capital position with equity increasing to USD 31.8 billion after deducting the 2011 dividend accrual totaling USD 2.8 billion, and solvency is within target AA range.

**Segment performance** (for the three months ended March 31)[4]

## *General Insurance:*

| in USD millions, for the three months ended March 31, unless otherwise stated | 2012 | 2011 | Change in USD | Change in LC |
|---|---|---|---|---|
| General Insurance gross written premiums and policy fees | 10,470 | 10,101 | 4% | 5% |
| General Insurance business operating profit | 856 | 280 | nm | nm |
| General Insurance combined ratio (in %) | 94.6% | 103.6% | 8.9 pts | 8.9 pts |

General Insurance business operating profit increased by USD 576 million to USD 856 million. Sustained focus on disciplined underwriting and expense management has continued to deliver improvements in the underlying underwriting results with the combined ratio improving 8.9 percentage points to 94.6%. The segment further benefited from lower levels of loss events compared with the catastrophic events of 2011 in Japan, New Zealand and Australia.

General Insurance gross written premiums and policy fees increased by USD 370 million to USD 10.5 billion, or by 4% in U.S. dollar terms and 5% on a local currency basis. The focus on selective and profitable growth through disciplined underwriting remains unchanged. Average rate increases of more than 3% were achieved yet customer retention rates remained stable compared with the same period in 2011. The momentum from strategic growth initiatives implemented towards the end of 2011 continued into the first three months of 2012. Growth has been achieved in the Global Corporate and North America Commercial businesses as well as in International Markets, organically and through the acquisition of Malaysian Assurance Alliance Berhad (MAA) in Malaysia and the acquisition of the insurance operations of Banco Santander S.A. in Latin America. Volumes in Europe continued to decline on a local currency basis with decreases in countries impacted by the ongoing economic difficulties and also concentrated in portfolios where underwriting actions have been implemented to improve profitability.

## *Global Life:*

| in USD millions, for the three months ended March 31, unless otherwise stated | 2012 | 2011 | Change in USD | Change in LC |
|---|---|---|---|---|
| Global Life gross written premiums, policy fees and insurance deposits | 7,396 | 6,379 | 16% | 19% |
| Global Life business operating profit | 293 | 362 | (19%) | (18%) |
| Global Life new business annual premium equivalent (APE) | 919 | 849 | 8% | 11% |
| Global Life new business margin, after tax (as % of APE) | 21.4% | 27.1% | (5.7 pts) | - |
| Global Life new business value, after tax | 196 | 230 | (15%) | (14%) |

Global Life business operating profit (BOP) decreased by USD 69 million to USD 293 million or by 19% in U.S. dollar terms. BOP benefited from fee income growth and an improved risk margin. These benefits were offset by the reduction in interest rates, which impacted the investment margin. The lower level of profit in the first three months of 2012 also reflected a reduction in the impact of deferred policy acquisition costs and front-end fees, and in addition the first three months of 2011 included a benefit of USD 35 million from non-recurring special operating items.

Global Life gross written premiums, policy fees and insurance deposits increased by USD 1.0 billion to USD 7.4 billion or by 16% in U.S. dollar terms and 19% on a local currency basis due to the Santander acquired insurance businesses as well as higher volumes of single premium corporate savings and Private Banking Client Solutions products.

Global Life continues to make progress in its strategic objectives of increasing geographic diversification outside Europe both organically and through acquisitions, shifting product mix from traditional savings business towards protection and unit-linked business and leveraging its global strength in Corporate Life & Pensions. The new business annual premium equivalent increased by USD 70 million or by 11% in local currency. New business results for Latin America do not include any contribution from the Santander acquired insurance businesses.

Excluding the effect of a methodology change in corporate protection, overall NBV decreased by 4% in local currency due to lower interest rates in Europe which impacted NBV in Germany, offset by growth in the UK, North America and Latin America. Including the change in methodology, NBV decreased by USD 34 million or 14% in local currency.

*Farmers:*

| in USD millions, for the three months ended March 31, unless otherwise stated | 2012 | 2011 | Change in USD | Change in LC |
|---|---|---|---|---|
| Farmers Management Services managed fees and other related revenues | 710 | 682 | 4% | 4% |
| Farmers Re gross written premiums and policy fees | 1,053 | 707 | 49% | 49% |
| Farmers business operating profit | 372 | 380 | (2%) | (2%) |
| Farmers Management Services gross management result | 341 | 316 | 8% | 8% |
| Farmers Management Services managed gross earned premium margin | 7.4% | 7.1% | 0.3 pts | 0.3 pts |

Farmers business operating profit decreased by USD 8 million or by 2% to USD 372 million, due to the result from reinsurance operations. Farmers Management Services business operating profit increased by USD 25 million or by 8% to USD 354 million, driven by the increase in gross earned premiums in the Farmers Exchanges, which are managed but not owned by Farmers Group, Inc., a wholly owned subsidiary of the Group. Farmers Re business operating profit decreased by USD 33 million or by 65% to USD 18 million, reflecting high weather-related losses in March 2012, the impact of which was exacerbated by the increase in the participation rate of the All Lines quota share reinsurance agreement with the Farmers Exchanges (All Lines agreement) from 12% throughout 2011 to 20% effective December 31, 2011.

Farmers Management Services management fees and other related revenues increased by USD 27 million or by 4% to USD 710 million, which was driven by the 3% increase in gross earned premiums in the Farmers Exchanges. The 49% increase to USD 1.1 billion in gross written premiums and policy fees of Farmers Re reflects the quota share increase in the All Lines agreement and the 4% gross written premiums growth in the Farmers Exchanges.

*Other Operating Businesses:* Other Operating Businesses, predominantly consisting of the Group's headquarter expenses and external financing activities, reported an increased operating loss of USD 227 million, up USD 54 million from 2011. This was driven by the absence of favorable impacts of movements in foreign currencies, partly offset by reduced Headquarters operating expenses mainly due to timing differences.

*Non-Core Businesses:* Non-core businesses reported a business operating profit of USD 81 million compared with USD 6 million in the same period of 2011. This increase resulted mainly from profits out of Life run-off businesses, which comprise U.S. life insurance and annuity portfolios in addition to impacts from market movements, an increase in loan loss provisions and a reassessment of certain liabilities.

*Group investments:*

| in USD millions, for the three months ended March 31, unless otherwise stated | 2012 | 2011 | Change in USD | Change in LC |
|---|---|---|---|---|
| Average Group investments | 200,089 | 198,739 | 1% | - |
| Net investment result on Group investments | 1,760 | 1,699 | 4% | 5% |
| Net investment return on Group investments (calculated on average Group investments) | 0.9% | 0.9% | - | - |
| Total return on Group investments (calculated on average Group investments) | 2.1% | 0.3% | 1.7 pts | 1.7 pts |

The net investment result on Group investments, which includes investment income, realized gains and losses, and impairments, contributed USD 1.8 billion to the Group's total revenues for the three months ended March 31, 2012, a net return of 0.9% (not annualized). Net capital gains on investments and impairments amounted to USD 50 million. Net unrealized gains increased by USD 2.4 billion since December 31, 2011, of which USD 1.1 billion is reported in shareholders' equity, as bonds increased in value due to tighter credit spreads, and equity markets rose. Total return on Group investments was 2.1% (not annualized), 170 basis points higher than in the prior year period.

*Group solvency:* The Swiss Solvency Test (SST) has become fully effective and mandatory as of January 1, 2011. Under SST, the Group is required to use a company-specific internal model to calculate risk-bearing and target capital. The Group is required to file SST reports biannually. For December 31, 2011, the Group filed, on a consolidated basis, an SST capitalization ratio of 185% compared with 225% as of June 30, 2011[5]. This reduction arose because of the impact of lower interest rates, the impact of the recent acquisitions, and changes to the Group's internal SST model following discussions with the Swiss Financial Market Supervisory Authority (FINMA). The filing as of December 31, 2011 is subject to review by FINMA as is the final approval of the Group's internal model.

1 Net income after tax attributable to shareholders
2 Total Group business volumes comprises gross written premiums, policy fees, insurance deposits and management fees generated within General Insurance, Global Life and Farmers.
3 As of March 31, 2012 and December 31, 2011, respectively.
4 See the Financial Supplement and the Operating and Financial Review on the Investor Relations' page of our website www.zurich.com for further information on shareholders' and common shareholders' equity.
5 The regulatory requirement is met so long as the SST ratio is 100% or above.

# Financial Highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the three months ended March 31, 2012 and 2011 and the financial position as of March 31, 2012 and December 31, 2011, 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 2011 for the Zurich Financial Services Group (now Zurich Insurance Group) and with its unaudited consolidated financial statements as of March 31, 2012. Certain comparatives have been restated as set out in note 1 of the unaudited consolidated financial statements.
In addition to the figures stated according to the International Financial Reporting Standards (IFRS), Zurich Insurance Group uses business operating profit (BOP) measures and other performance indicators to enhance the understanding of its results. These additional measures should be viewed as complementary to, and not a substitute for, the figures determined according to the IFRS. For a reconciliation of BOP to net income after income taxes see note 15 of the unaudited Consolidated financial statements.

| in USD millions, for the three months ended March 31, unless otherwise stated | 2012 | 2011 | Change[1] |
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| Business operating profit | 1,375 | 854 | 61% |
| Net income attributable to shareholders | 1,143 | 640 | 78% |
| General Insurance gross written premiums and policy fees | 10,470 | 10,101 | 4% |
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| Global Life new business margin, after tax (as % of APE) | 21.4%[2] | 27.1% | (5.7 pts) |
| Global Life new business value, after tax | 196[2] | 230 | (15%) |
| Farmers business operating profit | 372 | 380 | (2%) |
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| Net investment return on Group investments[3] | 0.9% | 0.9% | - |
| Total return on Group investments[3] | 2.1% | 0.3% | 1.7 pts |
| Shareholders' equity[4] | 31,815 | 31,636 | 1% |
| Swiss Solvency Test capitalization ratio[5] | 185% | 225% | (40 pts) |
| Diluted earnings per share (in CHF) | 7.16 | 4.09 | 75% |
| Book value per share (in CHF)[4] | 195.74 | 203.15 | - |
| Return on common shareholders' equity (ROE) | 14.4% | 8.3% | 6.1 pts |
| Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) | 13.4% | 8.5% | 4.9 pts |

[1] Parentheses around numbers represent an adverse variance.
[2] Includes no contribution from the Santander acquired insurance businesses and the acquisition of MAA
[3] Not annualized and calculated on average Group investments.
[4] As of March 31, 2012 and December 31, 2011, respectively.
[5] As filed with the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA), for the periods ended December 31, 2011 and June 30, 2011, respectively, based on the results for the Group on a consolidated basis, subject to FINMA's review and approval of the Group's internal model.

## Note to editors

A pre-recorded video presentation to accompany the analyst and investor slide presentation will be available from 06.45 hrs CEDT on our website www.zurich.com. The video can be accessed through the following link also on the iPhone und iPad: http://www.media-server.com/m/p/m6k95es4

In addition, there will be a conference call Q&A session for analysts and investors with the CFO, Pierre Wauthier, starting at 13.00 hrs CEDT. Media may listen in. Please dial-in to register approximately 3 to 5 minutes prior to the start of the Q&A session.

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Supplemental financial information is available on our website www.zurich.com. Please click on the May 10, 2012 – Results Reporting for the three months to March 31, 2012 link on the bottom left corner of our homepage.

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**Zurich Insurance Group (Zurich)** is a leading multi-line insurance provider with a global network of subsidiaries and offices in Europe, North America, Latin America, Asia-Pacific and the Middle East as well as other markets. It offers a wide range of general insurance and life insurance products and services for individuals, small businesses, mid-sized and large companies as well as multinational corporations. Zurich employs about 60,000 people serving customers in more than 170 countries. The Group, formerly known as Zurich Financial Services Group, is headquartered in Zurich, Switzerland, where it was founded in 1872. The holding company, Zurich Insurance Group Ltd (ZURN), is listed on the SIX Swiss Exchange and has a level I American Depositary Receipt program which is traded over-the-counter on OTCQX. Further information about Zurich is available at www.zurich.com.

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## Disclaimer & Cautionary Statement