

**Zurich reports business operating profit of USD 4.6 billion for 2014 and proposes dividend of CHF 17**

- **BOP of USD 4.6 billion, down 1% compared with prior year**
- **NIAS of USD 3.9 billion, down 3% compared with prior year**
- **Combined ratio of 97.3%, an improvement of 0.7 pts compared with prior year**
- **BOPAT ROE 11.1%, down from 11.6% in the prior year**
- **Good progress in improving General Insurance accident year profitability; further improvement needed in 2015 and beyond**
- **Global Life progressing bank distribution and priority market growth strategy; implementing in-force management initiatives**
- **Farmers on right track; growth continued in fourth quarter**
- **Strong cash remittance and capital position; dividend of CHF 17 per share proposed for 2014**
- **Cecilia Reyes named as Regional Chairman of Asia Pacific**

**Select financial highlights – full year (12M) and fourth quarter (Q4) of 2014**

(For a more comprehensive set of financial highlights covering the full year ended December 31, see page 9)

in USD millions, for the years ended December 31, unless otherwise stated	12M 2014	12M 2013	Change in USD <sup>1</sup>	Q4 2014	Q4 2013	Change in USD <sup>1</sup>
Business operating profit (BOP)	4,638	4,680	(1%)	812	1,113	(27%)
Net income after tax attributable to shareholders (NIAS)	3,895	4,028	(3%)	858	1,074	(20%)
Total Group business volumes <sup>2</sup>	74,434	70,388	6%	19,702	17,422	13%
Net investment return on Group investments (calculated on average Group investments)	4.5%	3.5%	0.9 pts	1.2%	1.0%	0.2 pts
Total return on Group investments (calculated on average Group investments)	8.6%	1.3%	7.3 pts	2.2%	0.8%	1.4 pts
Shareholders' equity <sup>3</sup>	34,735	32,503	7%			
Diluted earnings per share (in CHF)	23.84	25.23	(6%)			
Book value per share (in CHF) <sup>3</sup>	232.65	196.14	19%			
Return on common shareholders' equity (ROE) <sup>4</sup>	12.8%	13.3%	(0.6 pts)	11.3%	14.3%	(3.0 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) <sup>4</sup>	11.1%	11.6%	(0.6 pts)	8.7%	11.0%	(2.3 pts)

Zurich, February 12, 2015 – Zurich Insurance Group (Zurich) today reported a business operating profit (BOP) of USD 4.6 billion and net income attributable to shareholders (NIAS) of USD 3.9 billion for the year ended December 31, 2014.

Chief Executive Officer Martin Senn said:

"While we made good progress last year in executing the strategy we set out in December 2013, we cannot be satisfied with our 2014 earnings. In General Insurance, we continue to make good progress in improving our accident year combined ratio, although the results show that we have still much to do in our turnaround businesses, and in driving further improvement across the book. In Global Life, we see good momentum in our priority life markets, and expect to start seeing the benefits of in-force management initiatives coming through in our earnings over the next two years. At Farmers, the positive story continues, with two consecutive quarters of growth and a continuation of positive trends in all key metrics."

"Our solvency capital continues to be very strong and we are well on track to deliver more than USD 9 billion of cash remittances by 2016, even with the impact from currency headwinds. Reflecting the stability of our business and our strong capital position, the Board will propose a dividend of CHF 17 per share. In 2015, we continue to execute on our three strategic cornerstones – prioritizing investment in distinctive positions, managing other businesses for value and growing our operating earnings. This approach is designed to improve our profitability and address the challenges of a prolonged low yield and low growth environment."

**General Insurance (GI)** gross written premiums increased in local currency terms led by the Group's priority markets. GI made good progress in improving the portfolio, with an improved current year underwriting result offset by lower releases on reserves established in prior years.

**Global Life (GL)** delivered strong growth in the priority markets of U.S. and UK retail, bank distribution and Corporate Life & Pensions. BOP was broadly flat compared with the prior year.

Gross written premiums at the **Farmers Exchanges**, which are owned by their policy holders, ended the year broadly flat as gains in the second half of the year offset a modest decline in the first half. This compares to a 2% decline in 2013. There are other positive signs that Farmers go-to-market strategy is beginning to pay off. Customer experience, as measured by the Net Promoter Score, improved considerably in the fourth quarter, while customer retention rose to 76.8% at the end of 2014 from 74.8% at the end of 2013.

**Other Operating Businesses** reported a business operating loss of USD 960 million, compared with a loss of USD 1,039 million in 2013.

The **Non-Core Businesses** recorded a business operating loss of USD 142 million compared with a business operating profit of USD 73 million in 2013. The deterioration arose from reserve increases relating to long-tail businesses in run-off.

**Solvency** measured on an economic basis as determined under the Swiss Solvency Test (SST)<sup>5</sup> decreased by 2 percentage points since January 1, 2014 to 215% as of July 1, 2014. The Zurich Economic Capital Model (Z-ECM) ratio stood at 127% as of October 1, 2014, above the target range of 100% to 120%. Shareholders' equity has increased since December 31, 2013 by USD 2.2 billion to USD 34.7 billion. This was driven by the positive effects of net income and net unrealized gains on investments, partially offset by the currency translation effect of the strong U.S. dollar at December 31, 2014, and after deducting the total cost of USD 2.8 billion for the dividend paid in April 2014.

Subject to shareholder approval at the AGM of April 1, 2015, the proposed 2014 **dividend** will be paid from Zurich Insurance Group Ltd's capital contribution reserves.

### **Management Changes**

Zurich today announced that Cecilia Reyes, Chief Investment Officer, will take on the additional responsibility of Regional Chairman of Asia Pacific, succeeding Geoff Riddell, who will be retiring. Mr. Riddell, who will step down from the Group

Executive Committee effective end of March 2015, will continue to be involved for a transition period as Mrs. Reyes assumes her additional role effective April 1, 2015.

Zurich Chief Executive Officer Martin Senn commented: “I am delighted to see Cecilia Reyes add to her responsibilities. With her strong track record as CIO and diverse international experience, Cecilia is very well positioned to represent the interests of Zurich in this key region. At the same time, I would like to thank Geoff for his outstanding contributions to the Group. Geoff has held a number of roles since he joined Zurich in 2000, including serving as a member of our Group Executive Committee for more than a decade, and has been a valued contributor to the company's success.”

### Segment performance (for the year ended December 31, 2014)

#### *General Insurance*

in USD millions, for the years ended December 31, unless otherwise stated	2014	2013	Change in USD <sup>1</sup>	Change in LC <sup>1</sup>
General Insurance gross written premiums and policy fees	36,333	36,438	-	2%
General Insurance business operating profit	2,894	2,859	1%	1%
General Insurance combined ratio	97.3%	98.0%	0.7 pts	

General Insurance business operating profit increased by USD 34 million to USD 2.9 billion, or by 1% in U.S. dollar terms and on a local currency basis. This was driven by an improved net underwriting result, partly offset by higher non-technical expenses. The net underwriting result reflected an improvement in the underlying loss experience and the absence of major catastrophe and weather-related losses, partly offset by lower levels of favorable loss development on reserves established in prior years and the cost of ongoing growth initiatives.

GI gross written premiums and policy fees decreased by USD 106 million to USD 36.3 billion but increased by 2% on a local currency basis, as growth in the Group's priority markets was partly offset by a decrease in North America.

General Insurance made progress in the businesses that are managed for value. In the second half of the year, Zurich completed the sale of its GI retail business in Russia.

### *Global Life*

in USD millions, for the years ended December 31, unless otherwise stated	2014	2013	Change in USD <sup>1</sup>	Change in LC <sup>1</sup>
Global Life gross written premiums, policy fees and insurance deposits	31,883	27,095	18%	18%
Global Life business operating profit	1,273	1,272	-	2%
Global Life new business annual premium equivalent (APE) <sup>6</sup>	5,203	4,418	18%	19%
Global Life new business margin, after tax (as % of APE) <sup>6</sup>	22.1%	27.0%	(4.9 pts)	(4.6 pts)
Global Life new business value, after tax <sup>6</sup>	1,022	1,060	(4%)	(2%)

Global Life business operating profit increased by USD 1 million to USD 1.3 billion, flat in U.S. dollar terms but up 2% on a local currency basis, reflecting the strengthening of the U.S. dollar. Business operating profit improvements in Europe and Asia Pacific and Middle East (APME) were offset by North America, where management actions were taken during the year to drive future profitability, and Latin America where strong growth in local currencies was more than offset by movements in foreign exchange rates.

New business annual premium equivalent (APE) increased by USD 785 million to USD 5.2 billion, or by 18% in U.S. dollar terms and 19% on a local currency basis. North America, Europe and APME all increased. The majority of the increase was driven by growth in Corporate Life & Pensions and individual savings business within Bank Distribution, and was partly offset by decreases in the Other region and the withdrawal from certain private banking products in Luxembourg.

Overall new business value (NBV) decreased by USD 38 million to USD 1.0 billion, or by 4% in U.S. dollar terms and 2% on a local currency basis. This was largely due to changes in methodology and assumptions in the NBV.

### *Farmers*

in USD millions, for the years ended December 31, unless otherwise stated	2014	2013	Change in USD <sup>1</sup>
Farmers Management Services management fees and other related revenues	2,791	2,810	(1%)
Farmers Re gross written premiums and policy fees	3,428	4,045	(15%)
Farmers business operating profit	1,573	1,516	4%
Farmers Management Services gross management result	1,335	1,353	(1%)
Farmers Management Services managed gross earned premium margin	7.2%	7.2%	-

Farmers BOP increased by 4%, due to an improved net underwriting result in Farmers Re, which benefited from improved results on its assumed reinsurance business from the Farmers Exchanges. 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. The Farmers Exchanges capital position has improved significantly in 2014 and as a result the Farmers Exchanges were able to reduce the amount of business they reinsure. As of December 31, 2014, Zurich's share of the All Lines Quota Share agreement stands at 10%<sup>7</sup>.

Farmers Management Services business operating profit reduced by USD 7 million to USD 1.4 billion, as lower management fees and other related revenues as well as decreased investment income were partially offset by one-off gains in other income. Farmers Management Services' management fees and other related revenues decreased by USD 19 million to USD 2.8 billion, or by 1%, due to lower premiums earned in the Farmers Exchanges. Farmers Re gross written premiums and policy fees decreased by USD 617 million to USD 3.4 billion, or by 15%, due to the reductions in reinsurance assumed from the Farmers Exchanges.

***Other Operating Businesses:*** Other Operating Businesses, predominantly consisting of the headquarters' expenses and external financing activities, reported a business operating loss of USD 960 million, compared with a loss of USD 1,039 million in

2013. Lower financing costs were offset by higher headquarters costs, mainly due to one-off positives in the prior year.

**Non-Core Businesses:** Non-Core Businesses reported a business operating loss of USD 142 million compared with a profit of USD 73 million in 2013, mainly as a result of increased loss reserves following a periodic review of asbestos and environmental liabilities.

### **Group investments**

in USD millions, for the years ended December 31, unless otherwise stated	2014	2013	Change in USD <sup>1</sup>
Average Group investments	206,070	208,431	(1%)
Net investment result on Group investments	9,209	7,398	24%
Net investment return on Group investments (calculated on average Group investments)	4.5%	3.5%	0.9 pts
Total return on Group investments (calculated on average Group investments)	8.6%	1.3%	7.3 pts

The net investment result on Group investments, which includes investment income, net capital gains and losses and impairments was USD 9.2 billion, an increase of USD 1.8 billion or 24%. This represents a net investment return on average Group investments of 4.5% compared with 3.5% in 2013. Net investment income, predominantly included in the core business results, was marginally lower in U.S. dollar terms but marginally higher on a local currency basis. Net capital gains on investments and impairments included in the net investment result increased by USD 1.8 billion to USD 3.0 billion. The increase primarily resulted from re-balancing activities due to the deployment of additional risk capital as well as an increase in the valuation of debt securities booked at fair value through profit or loss and a gain compared with a loss in 2013 from the valuation of derivative financial instruments used for hedging underlying business or investment risks.

Total return on average Group investments improved to 8.6%, an increase of 7.3 percentage points compared with 2013, benefiting from the increase in the net

investment result as well as from an increase of USD 8.5 billion in gross unrealized gains and losses, mainly driven by a strong performance in the fixed income portfolios.

<sup>1</sup> Parentheses around numbers represent an adverse variance.

<sup>2</sup> Total Group business volumes comprises gross written premiums, policy fees, insurance deposits and management fees generated within General Insurance, Global Life and Farmers.

<sup>3</sup> As of December 31, 2014 and December 31, 2013, respectively.

<sup>4</sup> Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for net unrealized gains/ (losses) on available-for-sale investments and cash flow hedges.

<sup>5</sup> The Swiss Solvency Test (SST) ratio is calculated based on the Group's internal model, and both the ratio and the internal model 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.

<sup>6</sup> Details of the principles for calculating new business are included in the embedded value report in the Annual Report 2014. New business value and new business margin are calculated after the effect of non-controlling interests whereas APE is presented before non-controlling interests.

<sup>7</sup> Subject to the approval of the California Department of Insurance.

## Financial highlights

The following table presents the summarized consolidated results of the Group for the year ended December 31, 2014 and 2013, and the financial position as of December 31, 2014 and December 31, 2013, respectively. All amounts are shown in U.S. dollars and rounded to the nearest million unless otherwise stated, with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts. This document should be read in conjunction with the Annual Report 2014 for the Zurich Insurance Group and with its Consolidated financial statements 2014. In addition to the figures stated in accordance with International Financial Reporting Standards (IFRS), the Group uses business operating profit (BOP), new business measures and other performance indicators to enhance the understanding of its results. Details of these additional measures are set out in the separately published Glossary. These should be viewed as complementary to, and not as substitutes for the IFRS figures.

in USD millions, for the years ended December 31, unless otherwise stated	2014	2013	Change <sup>1</sup>
Business operating profit	<b>4,638</b>	4,680	(1%)
Net income attributable to shareholders	<b>3,895</b>	4,028	(3%)
General Insurance gross written premiums and policy fees	<b>36,333</b>	36,438	-
Global Life gross written premiums, policy fees and insurance deposits	<b>31,883</b>	27,095	18%
Farmers Management Services management fees and other related revenues	<b>2,791</b>	2,810	(1%)
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General Insurance business operating profit	<b>2,894</b>	2,859	1%
General Insurance combined ratio	<b>97.3%</b>	98.0%	0.7 pts
Global Life business operating profit	<b>1,273</b>	1,272	-
Global Life new business annual premium equivalent (APE) <sup>2</sup>	<b>5,203</b>	4,418	18%
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Global Life new business value, after tax <sup>2</sup>	<b>1,022</b>	1,060	(4%)
Farmers business operating profit	<b>1,573</b>	1,516	4%
Farmers Management Services gross management result	<b>1,335</b>	1,353	(1%)
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Net investment return on Group investments <sup>3</sup>	<b>4.5%</b>	3.5%	0.9 pts
Total return on Group investments <sup>3</sup>	<b>8.6%</b>	1.3%	7.3 pts
Shareholders' equity <sup>4</sup>	<b>34,735</b>	32,503	7%
Swiss Solvency Test capitalization ratio <sup>5</sup>	<b>215%</b>	217%	(2.0 pts)
Diluted earnings per share (in CHF)	<b>23.84</b>	25.23	(6%)
Book value per share (in CHF) <sup>4</sup>	<b>232.65</b>	196.14	19%
Return on common shareholders' equity (ROE) <sup>6</sup>	<b>12.8%</b>	13.3%	(0.6 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) <sup>6</sup>	<b>11.1%</b>	11.6%	(0.6 pts)

<sup>1</sup> Parentheses around numbers represent an adverse variance.

<sup>2</sup> Details of the principles for calculating new business are included in the embedded value report in the Annual Report 2014. New business value and new business margin are calculated after the effect of non-controlling interests whereas APE is presented before non-controlling interests.

<sup>3</sup> Calculated on average Group investments.

<sup>4</sup> As of December 31, 2014 and December 31, 2013, respectively.

<sup>5</sup> Ratios as of July 1, 2014 and January 1, 2014, respectively. The Swiss Solvency Test (SST) ratio is calculated based on the Group's internal model, and both the ratio and the internal model 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.

<sup>6</sup> Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for net unrealized gains/ (losses) on available-for-sale investments and cash flow hedges. In 2013, no such adjustments were made and accordingly figures have been restated.

### **Further information**

A pre-recorded video presentation to accompany the [analyst and investor slide presentation](#) will be available from 6.45 hrs CET on our website [www.zurich.com](http://www.zurich.com). The video can be accessed through the following link also on the iPhone and iPad: <http://edge.media-server.com/m/p/2sc3n5x3>

### **Live media event**

A media event for journalists is scheduled from 9.00 hrs to 10.15 hrs CET with CEO Martin Senn, CFO George Quinn, General Insurance CEO Mike Kerner and Global Life CEO Kristof Terryn who will be joined for the Q&A session by CIO Cecilia Reyes. The event takes place at the Auditorium of Zurich's headquarters, Mythenquai 2, 8002 Zurich. The presentation will be held in English, the Q&A session is open for English and German questions. If you cannot attend you may dial-in and it is also possible to ask questions in the Q&A session. Please dial-in to register approximately 5 minutes prior to the start of the live media event. Dial-in numbers please see below.

The [media presentation](#) will be available from 8.45 hrs CET on our website.

### **Q&A session for analysts and investors**

In addition, there will be a conference call Q&A session for analysts and investors with CEO Martin Senn and CFO George Quinn, starting at 13.00 hrs CET. Media may listen in. Please dial-in to register approximately 5 minutes prior to the start of the Q&A session. A podcast of the Q&A session will be available from 16.00 hrs CET.

### **Dial-in numbers**

- Europe +41 (0)58 310 50 00
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- USA +1 (1) 631 570 56 13

Supplemental financial information is available on our [website](#).

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For broadcast-standard and streaming-quality video and/or high resolution pictures supporting this news release, please visit our [multimedia pressroom](#).

**Zurich Insurance Group (Zurich)** is a leading multi-line insurer that serves its customers in global and local markets. With more than 55,000 employees, it provides a wide range of general insurance and life insurance products and services. Zurich's customers include individuals, small businesses, and mid-sized and large companies, including multinational corporations, in more than 170 countries. The 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 (ZURVY) program, which is traded over-the-counter on OTCQX. Further information about Zurich is available at [www.zurich.com](http://www.zurich.com).

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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; 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.

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