

Zurich reports business operating profit of USD 2.6 billion for the first half of 2014

- H1 BOP of USD 2.6 billion, up 15% compared with prior year; Q2 BOP of USD 1.2 billion, up 32% compared with prior year
- H1 NIAS of USD 2.1 billion, up 14% compared with prior year; Q2 NIAS of USD 837 million, up 6% compared with prior year
- BOPAT ROE 12.5%, up from 12.1%, or 0.4 pts compared with prior year
- H1 combined ratio¹ of 96.1%, an improvement of 2.0 pts compared with prior year; Q2 combined ratio of 95.7%, an improvement of 3.4 pts compared with prior year
- Improving accident year combined ratio; good progress with turnaround and exit businesses in General Insurance
- Global Life in-force management initiatives under way, priority markets growth strategy progressing
- Positive trends continue at Farmers Exchanges
- Cash remittances for full year expected to be above USD 3.5 billion

Select financial highlights – half year (H1) and second quarter (Q2) of 2014

(For a more comprehensive set of financial highlights covering the six months ended June 30, see page 7)

in USD millions for the six and three months ended June 30, unless otherwise stated	H1 2014	H1 2013	Change in USD	Q2 2014	Q2 2013	Change in USD
Business operating profit (BOP)	2,621	2,288	15%	1,240	937	32%
Net income after tax attributable to shareholders (NIAS)	2,109	1,851	14%	837	789	6%
Total Group business volumes ²	37,567	36,241	4%	18,262	17,166	6%
Net investment return on Group investments (calculated on average Group investments)	2.1%	1.6%	0.5 pts	1.0%	0.8%	0.2 pts
Total return on Group investments (calculated on average Group investments)	4.8%	(0.5%)	5.2 pts	2.2%	(0.9%)	3.1 pts
Shareholders' equity ³	33,699	32,503	4%	na	na	na
Diluted earnings per share (in CHF)	12.66	11.70	8%	5.07	4.99	2%
Book value per share (in CHF)	201.75	196.14	3%	na	na	na
Return on common shareholders' equity (ROE) ⁶	13.9%	12.7%	1.2 pts	10.8% ⁴	10.7% ⁴	0.1 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) ⁵	12.5%	12.1%	0.4 pts	10.8% ⁴	9.8% ⁴	1.0 pt

Zurich, August 7, 2014 – Zurich Insurance Group (Zurich) today reported a business operating profit (BOP) of USD 2.6 billion and net income attributable to shareholders (NIAS) of USD 2.1 billion for the half year ended June 30, 2014.

“I am pleased to report a good set of results for the first half. We have seen clear progress on the execution of our strategy and delivery against our targets,” said Chief Executive Officer Martin Senn. “While still early in our three year plan, we are on track for our 2014 to 2016 targets.”

“We have made good progress against each of our three strategic cornerstones. Much of the groundwork for future investment in priority markets, like introducing better customer segmentation, has been completed. We have also made progress in the businesses that we are managing for value, including the sale of the Russian retail business and exit from Zurich-branded aggregator distribution in the UK. And we are pleased to note further positive trends at the Farmers Exchanges, with improved customer satisfaction and agent retention. Finally, our strong cash generation reflects the continued stability of our business and we project that full-year cash remittances will be in excess of USD 3.5 billion dollars, ahead of 2013.”

The Group has 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.

The Group’s business operating profit and the combined ratio for General Insurance improved when compared with the prior year period, which was impacted by a higher level of catastrophes and weather-related events. The positive effect on NIAS however has been offset by a higher effective tax rate. This was due to a number of non-recurring charges, that are not tax-deductible.

In **General Insurance**, business operating profit increased considerably, driven by a substantially improved net underwriting result reflecting the favorable underlying loss experience and the absence of major catastrophe and weather-related losses, especially when compared with the prior year period.

Global Life BOP decreased by 1% on a local currency basis, a decline of 4% in USD, while experiencing good growth in target markets in Latin America, Asia-Pacific and Europe. Global Life continued to focus on its priority markets, which include bank distribution, Corporate Life & Pensions and select other markets, while managing other businesses for value.

Farmers showed an increase of business operating profit to USD 756 million compared with the same period of 2013 primarily due to an improved net underwriting result in Farmers Re.

The net investment result on **Group investments**, which includes net investment income, net capital gains and losses and impairments, contributed USD 4.4 billion to the Group's total revenues for the six months ended June 30, 2014, a net return of 2.1% (not annualized). Total return on Group investments was 4.8% (not annualized), an increase of 5.2 percentage points compared with the same period of 2013, mainly driven by falling government yields and tightening credit spreads combined with positive effects of the deployment of additional risk capital.

The Group preserved a strong **capital position** with shareholders' equity at USD 33.7 billion after deducting for the 2013 dividend of CHF 17.00 per registered share.

Segment performance
(for the half year ended June 30, 2014)

General Insurance

in USD millions, for the half years ended June 30, unless otherwise stated	2014	2013	Change in USD	Change in LC
General Insurance gross written premiums and policy fees	19,995	19,770	1%	1%
General Insurance business operating profit	1,652	1,369	21%	19%
General Insurance combined ratio	96.1%	98.1%	2.0 pts	1.6 pts

General Insurance BOP increased by USD 283 million to USD 1.7 billion, or by 21% both in U.S. dollar terms and 19% on a local currency basis. The underlying loss experience improved in 2014 compared with 2013. The business also benefited from the absence of major catastrophe and weather-related losses. The slight deterioration in expense ratio arose from higher management expenses, which were partly due to changes in cost allocations in certain European countries and investments in growth.

General Insurance gross written premiums and policy fees increased by USD 225 million to USD 20.0 billion, or by 1% in both U.S. dollar terms and on a local currency basis. In priority markets, targeted growth was achieved, especially in Global Corporate and Commercial. Rate increases across the book were 2% for the discrete second quarter.

Global Life

in USD millions, for the half years ended June 30, unless otherwise stated	2014	2013	Change in USD	Change in LC
Global Life gross written premiums, policy fees and insurance deposits	14,221	13,029	9%	8%
Global Life business operating profit	634	659	(4%)	(1%)
Global Life new business annual premium equivalent (APE) ⁵	2,373	2,081	14%	14%
Global Life new business margin, after tax (as % of APE) ⁵	24.6%	29.6%	(5.0 pts)	(4.7 pts)
Global Life new business value, after tax ⁵	515	547	(6%)	(6%)

Global Life BOP decreased by USD 25 million to USD 634 million, or by 4% in U.S. dollar terms and 1% on a local currency basis. Increases in Latin America and Europe, where most of the markets improved compared with the same period of 2013, were

more than offset by one-off costs from actions to improve in-force business in North America.

Overall new business value (NBV) decreased by USD 32 million to USD 515 million, or by 6% in both U.S. dollar terms and on a local currency basis despite an increase in the new business annual premium equivalent (APE). The decrease was primarily due to the impact of expense loading and assumption changes in North America and Latin America, masking an improving picture on a like for like basis. In North America, Latin America and Europe, APE increased by more than 20% on a local currency basis partially offset by decreases in Asia-Pacific and Middle East (APME) and the other regions following the withdrawal from the Hong Kong tied agent channel and the private banking business included in Bank Distribution, in Luxembourg.

Farmers

in USD millions, for the half years ended June 30, unless otherwise stated	2014	2013	Change in USD	Change in LC
Farmers Management Services management fees and other related revenues	1,391	1,408	(1%)	(1%)
Farmers Re gross written premiums and policy fees	1,960	2,034	(4%)	(4%)
Farmers business operating profit	756	696	9%	9%
Farmers Management Services gross management result	674	670	1%	1%
Farmers Management Services managed gross earned premium margin	7.3%	7.1%	0.2 pts	0.2 pts

Farmers BOP increased by USD 60 million to USD 756 million compared with the same period of 2013 primarily due to an improved net underwriting result in Farmers Re. Farmers Management Services increased its BOP by USD 15 million, or by 2 percent, with lower management and other related expenses as well as from a gain on the sale of a property more than compensating for lower management fees and other related revenues.

Farmers Management Services management fees and other related revenues of 1.4 billion decreased by USD 17 million, or by 1%, reflecting lower premiums earned in the Farmers Exchanges, which are owned by their policyholders. Farmers Group, Inc., a

wholly owned subsidiary of the Group, provides certain non-claims administrative and management services for the Farmers Exchanges.

Farmers Re gross written premiums decreased by 4% to USD 2.0 billion as a result of the lower participation in reinsurance agreements with the Farmers Exchanges as well as the 2% decrease in the gross written premiums in the Farmers Exchanges. The participation in the All Lines quota share reinsurance agreement was reduced from 18.5% to 18.0 percent, effective December 31, 2013.

Other Operating Businesses: Other Operating Businesses, predominantly consisting of the headquarters' expenses and external financing activities, reported a business operating loss of USD 452 million, essentially unchanged from the previous year.

Non-Core Businesses: The Non-Core Businesses which comprise run-off portfolios and U.S. life insurance and annuity portfolios in run-off recorded a BOP of USD 31 million compared with USD 17 million in 2013.

¹ The Group has reviewed the definition of net technical expenses within the General Insurance segment resulting in the reclassification of certain income and expenses between the net non-technical result and net technical expenses. As a result, comparative figures for the total net technical expenses, net underwriting result, net non-technical result (excl. items not included in BOP), expense ratio and combined ratio have been restated to reflect this change.

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 June 30, 2014 and December 31, 2013, respectively.

⁴ Calculated based on the discrete quarter result and annualized.

⁵ 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.

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

Financial Highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the half year ended June 30, 2014 and 2013, and the financial position as of June 30, 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 2013 for the Zurich Insurance Group and with its Consolidated financial statements 2013. 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 six months ended June 30, unless otherwise stated	2014	2013	Change 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%)
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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%)
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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 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

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.



Further information

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 and iPad: <http://www.media-server.com/m/p/g77do4fd>

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 CEDT. Media may listen in. Please dial-in to register approximately 3 to 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 CEDT.

Dial-in numbers

- Europe +41 (0)58 310 50 00
- UK +44 (0)203 059 58 62
- USA +1 (1) 631 570 56 13

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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.

Contact

Zurich Insurance Group Ltd
Mythenquai 2, 8022 Zurich, Switzerland

www.zurich.com

SIX Swiss Exchange/SMI: ZURN, Valor: 001107539

Media Relations

phone: +41 (0)44 625 21 00, fax: +41 (0)44 625 26 41

media@zurich.com

[twitter @Zurich](https://twitter.com/Zurich)

Investor Relations

phone: +41 (0)44 625 22 99, fax: +41 (0)44 625 36 18

investor.relations@zurich.com

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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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