

Zurich reports business operating profit of USD 2.3 billion in a period impacted by significant weather-related events

- **H1 BOP of USD 2.3 billion, down 9% compared with prior year, Q2 BOP of USD 937 million, down 18% compared with prior year**
- **H1 NIAS of USD 1.9 billion, down 17% compared with prior year, Q2 NIAS of USD 789 million, down 27% compared with prior year**
- **H1 combined ratio of 95.6%, an increase of 0.7 pts compared with prior year, Q2 combined ratio of 96.2%, an increase of 1.1 pts compared with prior year**
- **H1 BOPAT ROE 10.8%, down from 12.2% compared with prior year and up from 9.3% at year-end 2012**
- **Weather-related losses impacting underwriting performance**
- **Good growth in General Insurance and Global Life target markets**
- **Low yield environment continues to reduce investment income**
- **Maintained strong cash generation and solvency levels**

Select financial highlights – first six months (H1) and second quarter (Q2) of 2013

(For a more comprehensive set of financial highlights covering the six months ended June 30, see page 8)

in USD millions, for the six and three months ended June 30, unless otherwise stated	H1 2013	H1 2012	Change in USD	Change in LC	Q2 2013	Q2 2012	Change in USD
Business operating profit (BOP)	2,288	2,512	(9%)	(8%)	937	1,142	(18%)
Net income after tax attributable to shareholders (NIAS) ¹	1,851	2,227	(17%)	(16%)	789	1,087	(27%)
Total Group business volumes ²	36,241	37,502	(3%)	(2%)	17,166	17,873	(4%)
Net investment return on Group investments (not annualized and calculated on average Group investments)	1.6%	2.1%	(0.5 pts)	(0.4 pts)	0.8%	1.2%	(0.4 pts)
Total return on Group investments (not annualized and calculated on average Group investments)	(0.5%)	3.1%	(3.6 pts)	(3.5 pts)	(0.9%)	1.1%	(1.9 pts)
Shareholders' equity ³	30,923	34,505	(10%)	(1%)	na	na	na
Diluted earnings per share (in CHF)	11.70	14.05	(17%)	na	4.99	6.91	(28%)
Book value per share ³ (in CHF)	198.24	214.86	(8%)	na	na	na	na
Return on common shareholders' equity (ROE)	11.3%	14.0%	(2.7 pts)	(6.4 pts)	9.6% ⁴	13.6% ⁴	(4.0 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)	10.8%	12.2%	(1.4 pts)	(3.9 pts)	8.8% ⁴	11.2% ⁴	(2.4 pts)

Zurich, August 15, 2013 – Zurich Insurance Group (Zurich) today reported a business operating profit (BOP) of USD 2.3 billion and net income attributable to shareholders (NIAS) of USD 1.9 billion for the six months ended June 30, 2013.

“We delivered these results in a period characterized by natural catastrophes and large weather-related events, including severe flooding in Eastern and Central Europe, tornadoes in Oklahoma as well an unusual number of mid-sized, weather-related events in the U.S., Canada and Europe. The economic environment remains challenging with continued low interest rates exerting pressure on our investment income,” said Chief Executive Officer Martin Senn.

“Against this backdrop, we continue to see the benefits of our strategy. Our diversification into higher growth markets is delivering earnings while our sustained focus on pricing and portfolio discipline is generating benefits in mature markets. Global Life and General Insurance continued to progress in target markets, while Farmers Re showed an improved underwriting performance, and our capital and solvency remain excellent.”

The Group remains focused on pursuing its strategy and is on track to achieve some of its three year targets set in 2010, such as those set for Global Life and expense savings, while others, such as in General Insurance and in Farmers, remain more challenging. The reported combined ratio for General Insurance deteriorated slightly in the first six months of 2013, while the underlying loss ratio, which excludes major catastrophes, large losses and prior year development, further improved. The business segment achieved growth in all markets except in Europe where economic conditions remain subdued. BOP was adversely affected by the relatively high level of catastrophe and other severe weather-related events compared with the same period of 2012.

Global Life maintained its profitability and continued to show strong growth in target markets in Latin America, Asia-Pacific and the Middle East, offset by reductions in North America and Europe.

Farmers showed an increase in BOP, due to an improved underwriting result of Farmers Re, while Farmers Management Services revenues slightly declined.

The non-core businesses recorded a decline in profit mainly attributable to a one-off gain in 2012.

The Group preserved a strong capital position with shareholders' equity at USD 30.9 billion, after deducting for the 2012 dividend of USD 2.7 billion approved by shareholders at the Annual General Meeting on April 4, 2013 and net other decreases, principally as a result of a reduction in unrealized investment gains since December 31, 2012.

Segment performance
(in the six months ended June 30, 2013)

General Insurance

in USD millions, for the six months ended June 30, unless otherwise stated	2013	2012	Change in USD	Change in LC
General Insurance gross written premiums and policy fees	19,770	19,153	3%	4%
General Insurance business operating profit	1,369	1,636	(16%)	(16%)
General Insurance combined ratio (in %)	95.6%	94.8%	(0.7pts)	(0.9pts)

The business maintains its focus on disciplined underwriting and expense management, delivering an improved underlying underwriting performance and lower expense ratio, thus limiting the increase in the combined ratio to 0.7 points to 95.6% despite the severe weather-related events and other large losses.

General Insurance business operating profit decreased by USD 267 million to USD 1.4 billion. The improved underlying loss ratio was more than offset by increases in losses from catastrophes and severe weather-related events, other large losses and a continued decline in investment income. Losses related to floods in Central and Eastern Europe in May and June this year are estimated at USD 140 million while losses related to two severe tornadoes, which hit Oklahoma City Metropolitan Area in May this year, are estimated at USD 52 million.

General Insurance gross written premiums and policy fees increased by USD 617 million to USD 19.8 billion, or by 3% in U.S. dollar terms and 4% on a local currency basis. Growth was achieved in all markets in the first six months of 2013 except in

Europe, where subdued economic activity in key markets as well as focused underwriting actions resulted in a decrease in gross written premiums. Premium growth was particularly strong in Latin America and Global Corporate, where improving economic conditions and the market environment continued to support rate increases and exposure growth. The business continued to focus on achieving savings in mature markets while investing in targeted growth areas, which is reflected in an increase in premiums in International Markets.

Global Life

in USD millions, for the six months ended June 30, unless otherwise stated	2013	2012	Change in USD	Change in LC
Global Life gross written premiums, policy fees and insurance deposits	13,029	14,718	(11%)	(11%)
Global Life business operating profit	659	659	0%	2%
Global Life new business annual premium equivalent (APE) ⁵	2,081	1,793	16%	17%
Global Life new business margin, after tax (as % of APE) ⁵	31.1%	23.6%	7.5 pts	7.5 pts
Global Life new business value, after tax ⁵	647	424	53%	54%

The business maintains its focus on growth in target markets, shifting the product mix from traditional savings to protection and fee based products, and leveraging its global bank distribution and corporate life relationships.

Global Life business operating profit of USD 659 million was flat in U.S. dollar terms and increased by 2% on a local currency basis. Increases in the insurance businesses acquired from Banco Santander S.A. (Zurich Santander) and in Asia-Pacific and the Middle East were largely offset by reductions in Europe and North America, which were impacted by the persistent low interest rate environment.

Global Life gross written premiums, policy fees and insurance deposits decreased by USD 1.7 billion to USD 13 billion or by 11% in both U.S. dollar terms and on a local currency basis. The decrease occurred predominantly in the UK with lower levels of lower margin single premium products in Private Banking Client Solutions, following the implementation of new regulation on intermediary commission payments.

Overall new business value, after tax (NBV)⁵ of USD 647 million increased by 53% in U.S. dollar terms or 54% on a local currency basis, driven by strong performance in all regions with protection business growth, as well as from the inclusion of Zurich Santander in 2013. New business annual premium equivalent (APE) increased by USD 288 million to USD 2.1 billion or by 16% in U.S. dollar terms and 17% on a local currency basis. APE increased in all regions except Europe, where the first six months were impacted by lower levels of single premium Private Banking Client Solutions business in the UK.

Farmers

in USD millions, for the six months ended June 30, unless otherwise stated	2013	2012	Change in USD	Change in LC
Farmers Management Services managed fees and other related revenues	1,408	1,420	(1%)	(1%)
Farmers Re gross written premiums and policy fees	2,034	2,211	(8%)	(8%)
Farmers business operating profit	696	597	17%	17%
Farmers Management Services gross management result	670	684	(2%)	(2%)
Farmers Management Services managed gross earned premium margin	7.1%	7.4%	(0.2 pts)	(0.2 pts)

Farmers business operating profit increased by USD 99 million to USD 696 million or by 17%, due to an improved underwriting result in Farmers Re. Farmers Management Services business operating profit decreased by USD 20 million to USD 687 million or by 3%, mainly driven by lower revenues from the Farmers Exchanges, which are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group provides administrative and management services to the Farmers Exchanges. Farmers Re business operating profit improved by USD 119 million to a profit of USD 9 million, mainly driven by an improved underlying loss ratio.

Farmers Management Services management fees and other related revenues decreased by USD 12 million to USD 1.4 billion or by 1%, reflecting a decrease in other related revenues arising from lower levels of fees from new business policies in the Farmers Exchanges, which more than offset higher fees from the 1% growth in gross earned premiums in the Farmers Exchanges. The 8% decline to USD 2 billion in gross written premiums and policy fees of Farmers Re was mainly due to reduced participation in the

quota share reinsurance agreements with the Farmers Exchanges as well as a 1% drop in gross written premiums in the Farmers Exchanges.

Other Operating Businesses: Other Operating Businesses, predominantly consisting of headquarters' expenses and financing activities, reported a reduced business operating loss of USD 453 million, down USD 19 million from the same period in 2012.

Non-Core Businesses: Non-core businesses reported a business operating profit of USD 17 million compared with a business operating profit of USD 93 million in the same period of 2012. The decline was driven by a one-off gain in the same period of 2012 from the reassessment of liabilities on certain life run-off policies as well as less positive reserve movements related to market volatility.

Group investments

in USD millions, for the six months ended June 30, unless otherwise stated	2013	2012	Change in USD	Change in LC
Average Group investments	205,726	199,267	3%	4%
Net investment result on Group investments	3,323	4,134	(20%)	(20%)
Net investment return on Group investments (calculated on average Group investments)	1.6%	2.1%	(0.5 pts)	(0.4 pts)
Total return on Group investments (calculated on average Group investments)	(0.5 %)	3.1%	(3.6 pts)	(3.5 pts)

The net investment result on Group investments, which includes net investment income, net capital gains and losses on investments and impairments, contributed USD 3.3 billion to the Group's total revenues for the six months ended June 30, 2013, a net return of 1.6% (not annualized). Net capital gains on investments and impairments amounted to USD 135 million and included gains from sales of debt and equity securities, to a significant extent allocated to policyholders, partially offset by derivative losses and negative revaluations of securities booked at fair value through profit and loss. Net unrealized gains reported in shareholders' equity decreased by USD 2.2 billion since December 31, 2012, mainly driven by rising yields on government bonds as well as widening credit spreads in the U.S. Total return on Group investments, which includes net investment income, net capital gains and losses on investments and impairments as well as changes in unrealized gains and losses reported in shareholders'

equity, was negative 0.5% (not annualized), compared with positive 3.1 % in the same period of 2012.

¹ Net income after tax attributable to shareholders

² Total Group business volumes comprise gross written premiums, policy fees, insurance deposits and management fees generated within General Insurance, Global Life and Farmers

³ As of June 30, 2013 and December 31, 2012, respectively

⁴ Calculated based on the discrete quarter result and annualized

⁵ Before the effect of non-controlling interests

Financial Highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the six months ended June 30, 2013 and 2012, and the financial position as of June 30, 2013 and December 31, 2012. 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 amounts rather than the rounded amounts. This document should be read in conjunction with the Annual Report 2012 for the Zurich Insurance Group Ltd and with its unaudited Consolidated financial statements as of June 30, 2013. Certain comparatives have been restated as set out in note 1 of the unaudited Consolidated financial statements for the six months to June 30, 2013.

In addition to the figures stated in accordance with International Financial Reporting Standards (IFRS), Zurich Insurance 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 glossary. These additional measures should be viewed as complementary to, and not a substitute for the IFRS figures. For a reconciliation of BOP to net income attributable to shareholders see note 16 of the unaudited Consolidated financial statements.

in USD millions, for the six months ended June 30 unless otherwise stated	2013	2012 ¹	Change ²
Business operating profit	2,288	2,512	(9%)
Net income attributable to shareholders	1,851	2,227	(17%)
General Insurance gross written premiums and policy fees	19,770	19,153	3%
Global Life gross written premiums, policy fees and insurance deposits	13,029	14,718	(11%)
Farmers Management Services management fees and other related revenues	1,408	1,420	(1%)
Farmers Re gross written premiums and policy fees	2,034	2,211	(8%)
General Insurance business operating profit	1,369	1,636	(16%)
General Insurance combined ratio	95.6%	94.8%	(0.7 pts)
Global Life business operating profit	659	659	0%
Global Life new business annual premium equivalent (APE) ³	2,081	1,793	16%
Global Life new business margin, after tax (as % of APE) ³	31.1%	23.6%	7.5 pts
Global Life new business value, after tax ³	647	424	53%
Farmers business operating profit	696	597	17%
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Net investment return on Group investments ⁴	1.6%	2.1%	(0.5 pts)
Total return on Group investments ⁴	(0.5%)	3.1%	(3.6 pts)
Shareholders' equity ⁵	30,923	34,505	(10%)
Swiss Solvency Test capitalization ratio ⁶	185%	178%	7 pts
Diluted earnings per share (in CHF)	11.70	14.05	(17%)
Book value per share (in CHF) ⁵	198.24	214.86	(8%)
Return on common shareholders' equity (ROE)	11.3%	14.0%	(2.7 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)	10.8%	12.2%	(1.4 pts)

¹ June 30, 2012 and December 31, 2012 have been restated as set out in note 1 of the unaudited Consolidated financial statements

² Parentheses around numbers represent an adverse variance

³ New business amounts are calculated before the effect of non-controlling interests. June 30, 2012 does not include any contribution from the insurance businesses acquired from Banco Santander S.A. (Zurich Santander) or from the acquisition of Zurich Insurance Malaysia Berhad (ZIMB)

⁴ Not annualized and calculated on average Group investments

⁵ As of June 30, 2013 and December 31, 2012, respectively

⁶ Ratios as of January 1, 2013 and July 1, 2012, respectively, are calculated based on the Group's internal model which is subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA)

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/szatdp55>

In addition, there will be a conference call Q&A session for analysts and investors with CEO Martin Senn, 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.

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Supplemental financial information is available on our website www.zurich.com. Please click on the [Half year results 2013](#) 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 (ZURVY) which is traded over-the-counter on OTCQX. Further information about Zurich is available at 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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