

Zurich delivers solid results for the first quarter 2014

- **Q1 BOP of USD 1.4 billion, up USD 30 million compared with prior year**
- **Q1 NIAS of USD 1.3 billion, increased by USD 210 million or 20% compared with prior year, mainly as a result of higher net capital gains**
- **Q1 combined ratio of 93.9%, compared with 94.9% in prior year, benefitting from one-off gain and lower catastrophe losses; focus on continuing to improve accident year profitability**
- **Q1 BOPAT ROE of 13.4%, down 0.4 percentage points compared with Q1 2013**
- **Farmers transition continues, with some early positive signals**
- **Capital deployment to the business supported by strong solvency with 127% Z-ECM ratio above target range**

Select financial highlights for the Group as of March 31, 2014 (unaudited)

in USD millions, for the three months ended March 31, unless otherwise stated	2014	2013	Change in USD
Business operating profit (BOP)	1,381	1,351	2%
Net income after tax attributable to shareholders (NIAS) ¹	1,272	1,062	20%
Total Group business volumes ²	19,305	19,075	231
Net investment return on Group investments	1.0%	0.8%	0.2 pts
Total return on Group investments	2.5%	0.4%	2.1 pts
Shareholders' equity ³	34,670	32,503	7%
Diluted earnings per share (in CHF)	7.67	6.69	15%
Book value per share (in CHF) ³	207.17	196.14	6%
Return on common shareholders' equity (ROE) ⁴	16.2%	14.1%	2.1 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) ⁴	13.4%	13.9%	(0.4 pts)



Zurich, May 15, 2014 – Zurich Insurance Group (Zurich) today reported a business operating profit (BOP) of USD 1.4 billion and net income attributable to shareholders (NIAS) of USD 1.3 billion for the three months ended March 31, 2014.

“This is a solid start to the year,” said Chief Financial Officer George Quinn. “We see some early positive signs in the execution of our strategic targets for 2014 to 2016 but there is still much to do. As announced in March, we are implementing a program to streamline the company, removing management layers between Group and the business units and empowering our people to act decisively in delivering first-class services to our customers. Global Life is progressing as planned and the development trend at Farmers is positive, while our General Insurance business reported a good Combined Ratio, benefitting from a relatively benign catastrophe environment and a one-off pension gain.”

General Insurance recorded an increase in BOP of USD 38 million to USD 845 million, or by 5% in both U.S. dollar terms and on a local currency basis. Gross written premiums and policy fees remained flat compared with the same period of 2013. Underlying growth in North America Commercial was 3% after adjusting for a fronted portfolio that was not renewed. The net underwriting result increased by USD 89 million to USD 456 million, with a reported combined ratio of 93.9%, compared with 94.9% in the prior period.

Global Life BOP increased by USD 12 million to USD 319 million, or by 4% in U.S. dollar terms and 9% on a local currency basis. Gross written premiums, policy fees and insurance deposits increased by USD 331 million to USD 7.0 billion, or by 5% both in U.S. dollar terms and on a local currency basis. Annual premium equivalent increased by 6% in U.S. dollar terms or 7% on a local currency basis, mainly driven by the UK with solid growth in Ireland, Italy and Spain. New business value declined by 11% compared with prior period, which had benefitted from particularly strong sales of UK protection products.

Farmers business operating profit was broadly stable at USD 415 million compared with the prior year. At Farmers Exchanges, which are owned by their policyholders and managed by Farmers Inc., a wholly owned subsidiary of the Group, the decline in gross written premiums narrowed to 2% compared with a 4% decline in the last quarter of 2013. The business operating profit in Farmers Management Services remained broadly flat.

The **Non-Core Businesses**, which comprise run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported a business operating loss of USD 26 million. The result was impacted by a one-off loss on a specific contract in centrally managed businesses.

In **Other Operating Businesses**, the holding and financing business operating loss decreased by USD 27 million to USD 172 million, primarily driven by lower headquarters expenses, which benefitted from a one-off pension gain.

The net investment result on **Group investments**, which includes net investment income, net capital gains and losses and impairments, contributed USD 2.2 billion to the Group's total revenues for the three months ended March 31, 2014, a net return of 1.0% (not annualized). Total return on Group investments was 2.5% (not annualized), an increase of 2.1 percentage points compared with the same period of 2013, mainly driven by falling government yields and tightening credit spreads.

The Group preserved a strong **capital position**. Shareholders' equity has increased by USD 2.2 billion to USD 34.7 billion since December 31, 2013 mainly driven by net unrealized gains as well as retained earnings. The 2013 dividend of CHF 17.00 per share approved by shareholders at the Annual General Meeting on April 2, 2014 will be recognized through shareholders' equity in the second quarter of 2014. The Group's solvency as determined under the Swiss Solvency Test⁵ increased by 11 percentage points, rising to 217% as of January 1, 2014 compared with July 1, 2013. The Z-ECM ratio stands at 127% pending deployment of additional capital to the business.

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, 2014 and December 31, 2013, respectively.

⁴ Calculated based on the discrete quarter result and annualized. See the Financial Supplement on the Investor Relations' page of our website www.zurich.com.

⁵ 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.

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 und iPad: <http://www.media-server.com/m/p/gknwbptn>

In addition, there will be a conference call Q&A session for analysts and investors starting at 13.30 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 16.45 hrs CEDT.

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Supplemental financial information is available on our website www.zurich.com. Please click on the [Results for the three months to March 31, 2014](#) link on the bottom left corner of our homepage.

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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.

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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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