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Annual General Meeting 2014

Speech by Martin Senn

Chief Executive Officer

April 2, 2014

Thank you, Mister Chairman, Tom

I would also like to thank you and the entire Board of Directors for your strong support over the past year.

I see our corporate culture – our values and our close collaboration – as Zurich's greatest strength. We approach problems and difficulties in an open and self-critical way and try to find the best solutions together.

We proved this during the most difficult time of the past year. The grief and shock we experienced at the suicide of our CFO Pierre Wauthier was enormous. We still feel this sorrow today.

Despite this, we have to concentrate on the reason we are all here. The business of insurance business has remained our core focus over the past year.

Dear Shareholders
Ladies and Gentlemen
Dear Colleagues

I would also like to wish you all a warm welcome to this Annual General Meeting.

As Tom de Swaan, the Chairman of our Board of Directors, has already mentioned, Zurich delivered a solid operating profit in all core businesses in all our core businesses.

We reported an operating income of USD 4.7 billion, 600 million dollars or 15 percent higher than in the previous year.

Net income after tax attributable to shareholders was USD 4 billion, up 100 million dollar or 4 percent from the prior year.

The operating return on equity after taxes rose from 9.3 percent to 10.5 percent.

Our capital position and cash remittances remain strong.

Thanks to these solid results, the Board of Directors is again proposing a dividend of seventeen francs per share. This very attractive dividend reflects Zurich's enduring strength and stability.

These achievements would not have been possible without all of my colleagues. I am very pleased with their great commitment and I would like to express my heartfelt thanks to our employees for their hard work. A special thank you also goes to our customers for their confidence in us – and of course to you, dear shareholders, for your continued support.

Ladies and Gentlemen

As a response to the financial crisis, our strategy has been geared towards stability in recent years. This has paid off.

For one thing, over the five years we have been able to pay dividends amounting to more than 30 percent of Zurich's market capitalization. For another, our strategy has allowed us to come through the crisis better than the majority of our competitors.

Today, we are working from the assumption that the global economic situation will slowly improve. The time has come to take our foot off the brakes a little. We will take a more aggressive stance in the coming years.

That does not mean that we not need to completely change our strategy. Instead, we just need to adapt to a new environment and set ourselves new priorities.

The majority of our company is achieving good results. There are also areas, however, in which we can and must improve those areas in which we have not fully met our potential. We can become more efficient and profitable by concentrating on our key markets and seizing business opportunities there.

First of all, I would like to explain to you how we see the new economic environment and I will then explain the most important adjustments we have made to our strategy.

We are basing our strategy on four global trends that will also affect our industry over the next few years.

Today, we are much more optimistic about the global economy than we have been in recent years. The situation in the EU has stabilized somewhat. In the U.S., we are expecting strong economic growth this year. In emerging countries, we are anticipating lower but continuing rates of growth. Finally, we have also calculated that interest rates will rise a little which, over time, will have a positive effect on income from our capital investments.

Globalization remains the most significant driving force of growth in our time. Global trade will continue to grow – and with it demand for international and interconnected insurance solutions. Such cross-border solutions are especially needed by for large corporate and mid-sized companies. Providing these solutions is one of our strengths as a global composite insurance provider.

At the same time, we have seen a counter-trend to globalization in some countries since the beginning of the financial crisis: there has been an increase in protectionism and local regulation.

This is making it increasingly difficult for us to carry out cross-border activities for our private customers in some jurisdictions.

Digitalization is also having a profound impact on the business of insurance. It is creating new opportunities. New technology is simplifying the relationship between customers and insurers significantly. We can get even closer to our customers. As a result, consultation, assistance and customer care following a claim, are being made easier, quicker and more efficient. This also reduces our costs.

Digitalization is also generating a huge amount of data. We can use the large quantity of information that we receive to improve insurance coverage. We make our living from accurately assessing risk. With large amounts of data which is now often known as 'big data' we are able to better understand our customers' needs.

We do not know what will be possible in the future. We do know that in the past we were not able to recognize all of the opportunities and risks that such quantities of data could reveal. However, we are very aware that we need to deal with this information responsibly.

Digitization is also changing customer requirements. Today, our customers have greater transparency into prices and services than ever before. Ladies and Gentlemen: you of course know from your own experience that, via the Internet, we can find out in a matter of minutes which insurance provider offers which services at what price. Insurance providers must therefore be able to offer their customers clear added value and above all excellent service.

Major corporate customers are increasingly demanding integrated solutions for non-life and life insurance and for pension plans. Private customers are increasingly contacting us via a wide variety of channels whether online, over the phone or through personal contact with an agent. We have also observed that our customers increasingly want to obtain coverage for all their risks from one place and also wish to be looked after by one service provider.

Ladies and Gentlemen

These four trends have motivated us to set new priorities and to act in a more growth-oriented way than in previous years.

Our Board Chairman, Tom de Swaan, has touched upon the cornerstones of these priorities. I would now like to describe the three most important adjustments in detail:

Firstly: We want to invest in select markets and customer segments:

- Where we have a competitive advantage
- Where we are big enough to play to our strengths
- And, of course, where we see potential.

These growth markets include large corporate businesses that are active worldwide, such as multinational companies searching for a consistent solution for their insurance needs across all countries.

Mid-tier corporate customers are also a growth market. We already have a very strong position in this area in the U.S. In the medium-term, we want to transfer our experiences there to other target markets.

We also see future areas of focus in the retail business in markets where we can achieve outstanding results. These include Farmers in the U.S. and our domestic market in Switzerland, which is very important to us and where we have a strong position in the private sector.

Secondly: We will continue to manage businesses which are profitable but have limited growth potential for value. This means that we will not be making major changes to our smaller but profitable General Insurance markets where we can achieve our target returns while in Europe we are striving to optimizing our portfolio of life insurance.

However, we will turn around or exit business areas which do not meet our goals or which experience below-average development. We have already started to do this. For example, we have withdrawn from an unprofitable sales channel in life insurance in Hong Kong and in light of the Group's new strategic priorities we are currently looking into various options for our retail business in Russia.

Thirdly, we plan to increase our operating profit, by further reducing complexity and overheads and by continuing our operational transformation to extract additional value from our business. We have already begun to simplify processes in our company. We are streamlining management levels,

delegating more decision-making ability to the frontline and slimming down bureaucracy. This will allow us to reduce fixed and operating costs. We are also working towards restructuring our investment portfolio somewhat, in order to become a little more profitable without accepting substantially greater risks.

Dear Shareholders

I would summarize the key elements of the strategy adjustment as follows:

- We want to be even closer to our customers.
- We want to play to our strengths.
- We want to become more straightforward, efficient and agile, and therefore more profitable.

Even with this adjustment our strategy – and this is very important – we will of course stay faithful to our principles: we will not be entering into a competitive scramble with unprofitable pricing. We will maintain our financial discipline and continue to underwrite risks in a very disciplined way. This applies to our policies and our capital assets alike.

We see this as a natural evolution of our strategy not as a revolution. We abandoned our one-stop-shop financial services strategy twelve years ago. Since then, we have been focusing more and more strongly on our core business insurance. We clearly expressed this when we changed our name from Zurich Financial Services to Zurich Insurance Group two years ago.

And now we are taking this one step further. Within our core business, we are concentrating on every area where our strengths allow us to capture market opportunities.

Our goal with all of these measures is:

- To generate a business operating profit after tax return on equity of between 12 and 14 percent,
- To maintain our strong solvency in our AA target range
- And to deliver net cash remittances to the Group in excess of 9 billion U.S. dollars over the next three years.

Ladies and Gentlemen

As I have already mentioned, the world and the economy are becoming more and more interconnected. The interchange of goods, services and people is becoming even more intense and complex. For some time now, we have observed that the extent and complexity of risks and claims is increasing.

In today's world, a local problem can quickly grow into a global problem. Economies are increasingly susceptible to disruption.

To give an example: in recent years, we have seen more and more serious floods – in Southeast Asia, but also in China, the U.S. and in Europe. This picture was taken in Deggendorf in Bavaria last June, during the most severe flooding experienced in over a decade along the watersheds of the Danube and Elbe.

In addition to human tragedy, these floods have had a tangible economic impact, not only on the regions affected but throughout the world.

Disruptions to the supply chain in Southeast Asia, for example, had an effect on the automotive, computer and textile industries across the globe. Thailand is one of the largest manufacturers of computer hard drives and a major producer of car parts. Behind me you will see a picture from autumn 2011, when Thailand was struck by one of the worst floods in decades.

Those floods led to a loss of production, the effects of which were felt worldwide. The shortages led to longer waiting times and higher prices. Entire value chains came to a standstill. Economies lost billions.

Floods such as these are the leading natural cause of damage worldwide – to the economy, to society and to humans. They cause more distress and suffering than all other natural disasters put together.

Ladies and Gentlemen

At Zurich, we have a clear mission: we help our customers to understand the risks they face and therefore to protect themselves. If we are able to minimize one of the largest threats to our customers then we will have achieved a great deal.

With that in mind, we have therefore launched a multi-year program to improve communities' ability to withstand floods. We have started to implement such program in Mexico and Indonesia. Here you can see some images from our project in Tabasco in Mexico.

For this program, we are working with leading academic institutions such as the Wharton School in the USA and with organizations such as the International Federation of Red Cross and Red Crescent Societies.

We want to close the gaps in research and, through education campaigns to promote awareness and skills within the population to enable them to protect themselves from flooding.

As an example: alongside construction measures such as dykes and dams areas that are often affected by flooding benefit from creating what are known as retention areas, areas that are intentionally flooded, in order to allow a lot of water to be absorbed.

Our work in Mexico and Indonesia serves as a model for future activities as part of this program. Of course, we want to share our experience and knowledge with governments worldwide in order to be able to help as many people as possible.

Ladies and Gentlemen

Shareholders

We cannot and will not differentiate between our corporate and our social responsibility. To us, they are one and the same. We see it as our duty to make a contribution towards creating a better world.

That is our mission. That is our *raison d'être*. That is our role in society.

Thank you very much for your attention.