Building a better way.

Zurich Insurance Group
Annual Report 2020

ZURICH

We're leveraging technology to build resilience and innovate in a changing world.

Zurich Insurance Group (Zurich) is a leading multi-line insurer that serves its customers in global and local markets. With about 55,000 employees, it provides a wide range of property and casualty, and life insurance products and services in more than 215 countries and territories. Zurich's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations. 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.

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Building a better way

“We’re adapting to future trends as insurance enters a new era...

Michel M. Liès
Chairman of the Board of Directors

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“2020 was a year that vindicated our long-term approach to business...

Mario Greco
Group Chief Executive Officer

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Building a better way (continued)

The future is digital – we’ve got it covered.

Our lives are becoming increasingly digital – and so is insurance. We’re sharpening our focus on innovation in digital technology to reshape the way we interact with our customers and meet their evolving needs.

Building a better way (continued)

Digital claims solutions provide non-stop support

As countries enforced lockdowns, travel restrictions and social distancing measures, we rolled out new digital claims solutions to ensure our customers continue to receive support when they need it – virtually. Our innovative app in Spain allows our adjusters to perform live claims assessments through a customer's smartphone camera. The entire assessment takes just 15–30 minutes, compared to 10–15 days in the past, resulting in a 25 percent increase in customer satisfaction scores.

Read more of our stories: pages 24–25

Building a better way (continued)

Mitigating the impact of climate change on our customers

As the effects of global warming become more evident, Zurich established Climate Change Resilience Services in 2020. This helps our commercial customers identify, assess, mitigate and adapt to current and future climate change risks. It leverages our expertise gained from managing climate change risks to provide customers with tailored insights and solutions to help protect them today and long into the future.

Read more of our stories:
pages 26–27

Building a better way (continued)

Protecting your future.

Being future-ready means rethinking risk management. At Zurich, we're developing insurance solutions that go beyond traditional risk transfer to provide risk prevention services. Our innovative products mitigate risk and build long-term resilience for our customers and the communities in which they live and work.

Building a better way (continued)

It's time to act for people and planet.

From building a diverse workforce to delivering on our '1.5°C Future Plan' climate strategy, we're forging ahead with our ambition to be one of the most responsible and impactful businesses in the world. We're making strides in our commitment to sustainability and addressing climate change. If we lose the planet, we can't claim it back.

Building a better way (continued)

Biodiversity grows in the Zurich Forest

A million trees are taking root in Brazil's Atlantic Forest. With a grant from Zurich, non-profit Instituto Terra will plant seedlings on 1,730 acres, ensuring that the area becomes self-sustaining and biodiverse. And, Zurich employees can put their names to a tree and become custodians of the 'Zurich Forest'. The project complements Zurich's climate change efforts and support of a 1.5˚C future, as established by the UN Global Compact Business Ambition Pledge.

Read more of our stories:
pages 28–29

Our business

Dynamic, agile and well balanced.

We are a leading multi-line insurer that serves its customers in global and local markets. With about 55,000 employees, we provide a wide range of products and services in more than 215 countries and territories. Our customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations.

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services. Details on business mix of the Exchanges are provided for informational purposes only.
2 Based on business operating profit before net expense of group functions and operations and non-core businesses.

Our business (continued)

Our performance

USD 4.2bn
Business operating profit[1]

USD 3.8bn
Net income attributable to shareholders (NIAS)

11.0%
Business operating profit after tax return on equity[2]

USD 3.4bn
Cash remittances[3]

USD 51.6bn
Total revenues[4]

USD 226.4bn
Investment portfolio[5]

CHF 56.2bn
Market capitalization as of December 31, 2020

SST 182%
Swiss Solvency Test ratio (SST) estimated as of January 1, 2021[6]

AA–/positive
Standard & Poor's financial strength rating of Zurich Insurance Company Ltd as of December 31, 2020

USD 5.8bn
Total amount of impact investments[7]

1.8 tons
C02e emissions per employee (metric tons per FTE)[8]

Over 1 million
Number of customers interviewed through Zurich's NPS program[9]

1 Business operating profit (BOP) indicates the operational performance of the Group's business units by eliminating the impact of financial market volatility and other non-operational variables.
2 Shareholders' equity used to determine BOPAT ROE is adjusted for unrealized gains/(losses) on available-for-sale investments and cash flow hedges.
3 Net cash remittances for full year 2020.
4 Total revenues excluding net investment result on unit-linked investments.
5 Market value of the investment portfolio (economic view). See page 194 for more information.
6 Estimated Swiss Solvency Test (SST) ratio as of January 1, 2021, has been calculated based on the Group's Internal Model, which has been approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA. FINMA agreed to the use of standard yield curves for the main currencies to calculate the SST, starting end of Q1 2020.
7 Impact investments in 2020 consisted of: green bonds (USD 3.8 billion), social and sustainability bonds (USD 904 million), investments committed to private equity funds (USD 189 million, thereof 64 percent drawn down) and impact infrastructure private debt (USD 904 million).
8 Number shown as of 2019; 2020 data will be available in Q2 2021.
9 In 2020, Zurich interviewed over 1 million customers (including Zurich Santander) in over 25 countries through its Net Promoter System (NPS) program.

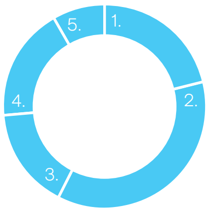
Property & Casualty

Insurance, services and risk insights.

USD 2.1bn
Business operating profit

USD 35.5bn
Gross written premiums and policy fees

Business mix
2020 gross written premiums and policy fees by line of business (%)[3]



1. Motor	21%
2. Property	36%
3. Liability	16%
4. Special lines	18%
5. Worker injury	8%

– Commercial insurance generates around two-thirds of the Group's Property & Casualty gross written premiums.
– Zurich is well placed to benefit from strong pricing trends expected in commercial insurance in 2021, having reshaped its commercial portfolio during 2016–2019.

Read more on Property & Casualty: page 186–187

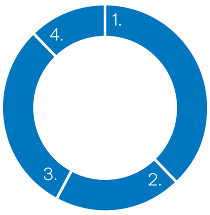
Life

Protection, savings and investment solutions.

USD 1.4bn
Business operating profit

USD 27.6bn
Gross written premiums, policy fees and insurance deposits

Business mix
2020 gross written premiums, policy fees and insurance deposits by line of business (%)[3]



1. Protection	38%
2. Corporate savings	20%
3. Unit-linked	30%
4. Savings & annuity	12%

– Zurich operates a long-term strategy of focusing on protection and capital light savings business. This positions the Life business well for the prevailing low-yield environment.
– In 2020, the protection, unit-linked and corporate savings business accounted for 88 percent of new business.

Read more on Life: page 188–189

Farmers Group, Inc.[1]

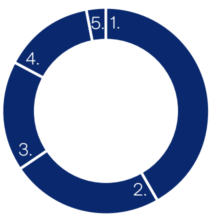
A wholly owned subsidiary providing certain services to the Exchanges.[1]

USD 1.5bn
Business operating profit

USD 3.7bn
Management fees and other related revenues

Farmers Exchanges[1]

Business mix
2020 gross written premiums by line of business (%)[3]



1. Auto	47%
2. Home	28%
3. Speciality	14%
4. Business insurance	10%
5. Other	1%

– Zurich has no ownership interest in the Farmers Exchanges[1], which are owned by their policyholders. The Exchanges are a leading player in U.S. personal lines insurance.
– Farmers Exchanges[1] are driving growth through a customer-centered strategy, as well as innovating and expanding into new segments, for example, commercial rideshare insurance.

Read more on Farmers Group, Inc. and Farmers Exchanges[1]: page 190

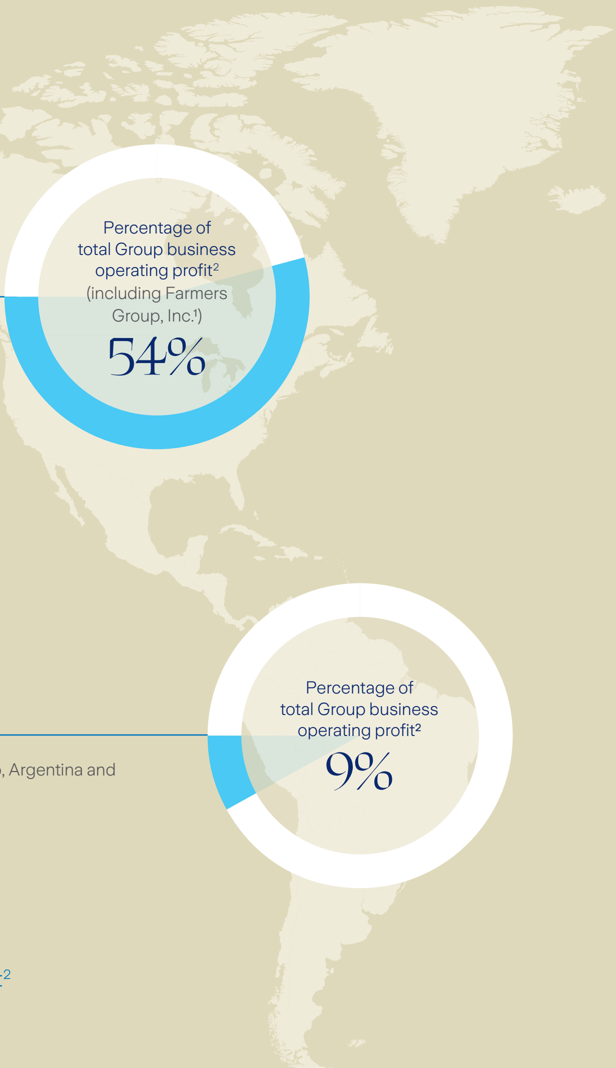
3 Percentages may not total 100 due to rounding.

Our business (continued)

Our global presence.

As one of the few genuinely global insurers, we have a balanced and diverse business. We have a strong position in North America and Europe as a provider of insurance to individuals, commercial operations and global corporate customers, with growing positions in Asia Pacific and Latin America.

Schaumburg, Illinois



North America

In North America, Zurich is a leading commercial property and casualty insurance provider serving a number of sectors, including global corporate, large corporate and middle market. It additionally serves life clients in the retail, affluent and corporate markets. The Group also operates through Farmers Group, Inc.[1] in the U.S.

Read more key details: pages 288–291

USD 2.9 bn
Business operating profit[2] including Farmers Group, Inc.[1]

USD 16.0 bn
Property & Casualty gross written premiums and policy fees[3]

USD 0.5 bn
Life gross written premiums and policy fees[3]

Latin America

Zurich operates in Brazil, Mexico, Argentina and Chile, among other countries.

Read more key details: pages 288–291

USD 0.5 bn
Business operating profit[2]

USD 2.3 bn
Property & Casualty gross written premiums and policy fees

USD 2.3 bn
Life gross written premiums and policy fees

Santiago

Our business (continued)

Zurich

Europe, Middle East and Africa

Zurich has major operations in Germany, Italy, Spain, Switzerland and a presence in other countries, including key markets in the Middle East.

Read more key details: pages 288–291

USD 1.7 bn
Business operating profit[2]

USD 15.8 bn
Property & Casualty gross written premiums and policy fees

USD 8.8 bn
Life gross written premiums and policy fees

Hong Kong

Asia Pacific

Zurich has a growing footprint in Asia Pacific, with operations in Australia, Hong Kong, Indonesia, Japan and Malaysia.

Read more key details: pages 288–291

USD 0.3 bn
Business operating profit[2]

USD 2.9 bn
Property & Casualty gross written premiums and policy fees

USD 2.4 bn
Life gross written premiums and policy fees

1 Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services. Zurich Insurance Group has no ownership interest in the Farmers Exchanges.
2 Based on business operating profit before net expenses of group functions and operations and non-core businesses for which regional allocation is not available.
3 Excluding Farmers Group, Inc.

Message from our Chairman

Always looking ahead.

“

No matter the situation, we continue to care for one another, our customers, our communities and all other stakeholders and partners.

Michel M. Liès
Chairman of the Board of Directors

Message from our Chairman (continued)

#ZurichNeverStops

A new hashtag trended across our global business during 2020: #ZurichNeverStops. It became a rallying call that united us during a serious challenge to our business and to our customers. It came to epitomize the resilience, resourcefulness and flexibility of our employees.

We fast-tracked new technologies, learned new skills, and adapted to new ways of working. The inventiveness of our teams ensured we continued to provide a seamless level of service to our customers, albeit through different channels and devices, during a time when they needed us most.

Despite the economic and social consequences, the Board took the view from the start that the pandemic was primarily a health crisis. We prioritized the health of our employees and customers, and the well-being of our communities.

The events of 2020 highlighted the value of preparedness. We were able to transition to a new world because we were prepared for both expected and unexpected risks. We regularly share insights with our customers about the importance of preparedness. This time our own was tested. At the start of 2020 we did not know we were on the cusp of a global pandemic, but we were ready.

We remain on track

In 2020 we began a new three-year strategic cycle. In response to the changes brought about by the pandemic we have expedited some aspects, for instance we are ramping up the digitalization of our business. Our experience in 2020 has also confirmed that our strategy is the right one, and I am confident that we remain on course. Reflecting our resilience and robust response to the pandemic, the Board is proposing a dividend of CHF 20 per share for the year.

Our commitment to bringing benefits to all stakeholders – customers, employees, investors and communities – has rarely been as sorely tested or proven its relevance so convincingly. As the world starts to focus on recovery from the pandemic, our contribution will continue to be guided by our environmental, social and governance (ESG) goals (see pages 42–43).

We believe that rebuilding economies must be coupled with renewed efforts to create a more equitable society, prioritizing the health and well-being of all and producing a net environmental benefit

Start of a standout chapter

Last year I said Zurich had an opportunity to make the 2020s a standout chapter in Zurich's proud 150-year history. Well, 2020 has been a standout year. It showed that Zurich is more than capable of adapting to future changes as the insurance industry enters a new era.

But more importantly, it proved once again that our people make the difference. Through trust and teamwork, we pulled together. We showed that no matter the situation, we continue to care for one another, our customers, our communities and all other stakeholders and partners.

The lessons that we have all learned will stay with us a lifetime and make us stronger. Remember, #ZurichNeverStops.

Michel M. Liès
Chairman of the Board of Directors

Discover more:

Corporate Governance

Read more:
pages 42–90

Non-financial statements

Read more:
pages 162–179

Risk

Read more:
pages 128–158

Remuneration

Read more:
pages 92–125

Message from our Group CEO

A new outlook for new times.

“

In 2020, we proved the solidity of our balance sheet, the agility of our people and the timeliness of our digital strategy: all of which helped us to quickly adapt to new ways of serving our customers and protecting our employees.

Mario Greco
Group Chief Executive Officer

Message from our Group CEO (continued)

Standing strong

More than a year after the start of the pandemic Zurich is standing strong, both financially and in terms of customer and employee satisfaction.

During the very difficult days of 2020, we proved the solidity of our balance sheet, the agility of our people and the timeliness of our digital strategy: all of which helped us to quickly adapt to new ways of serving our customers and protecting our employees.

Throughout the year, we grew our business by expanding our customer base, launching new products and services such as the LiveWell well-being unit, and widening our footprint; for example, the renewed and extended partnership with Deutsche Bank and the acquisition of MetLife's property and casualty business by Zurich's subsidiary Farmers Group, Inc. and the Farmers Exchanges in the U.S. The Commercial Insurance business performed well and is expected to further improve in this hardening market.

We continued our focused activities on helping to improve the sustainability of the planet. We launched the Zurich Forest, we supported communities around us together with the charitable Z Zurich Foundation, and we helped our employees, taking care of their health and safety.

The pandemic has created greater awareness about the benefits of resilience and longer-term thinking. Insurance plays a critical role in driving behavioral change to increase resilience. Using the new possibilities offered by technology, our focus is on providing services that complement traditional risk-transfer solutions, by preventing or reducing risks.

Responding to a changing business environment:

Talking to a new generation

We are stepping up innovation to attract younger customer segments, including millennials, Generation Z and others seeking individual, flexible cover. We are working with startups and others to get fresh insights. And we are also attracting the next generation of talent through a variety of means, including our award-winning apprenticeship program.

Finding and keeping the best people

To provide the best service and solutions for customers, we need to have the best talent. We have introduced an innovative training program for leaders and have won awards for diversity. We are proud that we have increased our measure of employee loyalty and continue to promote a culture based on merit.

Preparing for new financial reporting rules

Insurers, including Zurich, are preparing to adopt IFRS 17, one of the most significant changes to global financial reporting standards in recent history. Zurich is finalizing the implementation of IFRS 17 and has begun testing in anticipation of implementation in 2023.

Keeping abreast of financial market developments

As a long-term investor, our mission is to achieve superior risk-adjusted returns relative to our liabilities. With elevated volatility and interest rates close to historic lows, we have delivered strong investment returns to our policyholders and shareholders. We remain disciplined in managing our well-diversified and high-quality investment portfolio.

Inspiring confidence in a connected world

We work closely with customers to identify risks tied to interconnectivity and cyberspace; for example, we expanded our cyber protection offering in 2020 with the creation of Zurich Cyber Security Services together with global security specialist CYE. We are also working to instill confidence in a digital society through our industry-leading data commitment.

Taking action on sustainability

We are a leader in sustainability and continue to implement measures to be a more sustainable business, recognized by our No. 1 ranking in the Dow Jones Sustainability Index (DJSI) for the insurance industry in 2020. Our focus includes climate change, which affects all of us: from our customers to the communities in which we live and work.

Message from our Group CEO (continued)

Create a brighter future together

In this era of unprecedented change, Zurich is determined to shape a future in which we can all thrive. For nearly 150 years, Zurich has protected those who put their trust in us. We are building on this legacy to serve the needs of our customers, employees, partners and society, and to work together with them to ensure they are better equipped to deal with the dramatic changes happening in our communities; whether driven by climate change or the effects of technology. To this end, we have refreshed our purpose – create a brighter future together – which defines who we are, who our stakeholders are, and the impact we wish to have in the world.

The long-term view: accelerating digital

We started the transformation of our business into a digital one some years ago. When the pandemic began, we were then ready to provide fully digitalized services to customers and employees. Our colleagues began working remotely early in the year and continued to serve our customers well. Our claims services kept supporting customers seamlessly through digital services. Colleagues working remotely were promptly provided with additional digital support for their well-being and mental health.

All these efforts paid off. We won a business innovation award for the virtual site inspections offered by Zurich Risk Advisor, and we registered a 22-point rise in our latest Employee Net Promoter System (ENPS) score, a measure of employee engagement and loyalty. These achievements are a testament to our commitment to listen to, and act on, people's needs.

Looking forward, we plan to maintain this momentum by further expanding our digital offering. In September, we announced a new organizational structure, with the launch of the Global Business Platforms, to lead the development of new global digital services such as LiveWell.

Customer centricity

Our focus on the long term is also reflected in record-high customer satisfaction scores in 2020. Our frontline employees went to great lengths to ensure our customers constantly felt our supportive presence during this year. As digitalization makes it increasingly easy to shop around, we are continuing to target customer satisfaction and loyalty building.

We have listened closely to the increasing demand from our commercial customers for risk services. And, we are building on our existing offerings to provide insights, services and tools to help them better understand, manage, prevent and mitigate the risks they face.

To better reflect the customer-centric Zurich we are becoming, we have refreshed our branding around our purpose (see box, top left). Through our new branding, we aim to start new conversations with our customers, particularly in the retail sector.

A responsible employer

2020 reinforced our credentials as a responsible employer to about 55,000 colleagues, globally. Thanks to our long-term commitment to upskill and reskill our existing workforce, as well as our promotion of closer communication with our employees, we were able to respond to the needs of colleagues with agility and conviction.

In addition to providing digital support for well-being and mental health, we offered employees free testing for the novel coronavirus and, in many cases, free flu vaccinations. We also gifted employees and their household dependents a COVID-19 hospitalization benefit, allowing them to have peace of mind during the pandemic. To help ease financial concerns during difficult times, a special one-time payment related to the COVID-19 situation will be made to the lowest-paid employees in each country across the Group.

The climate change challenge

Lockdowns demonstrated how individuals, businesses and governments can move quickly to address a common threat. If we maintain this momentum, I am confident that together we can tackle one of the biggest risks we face today: climate change.

As Zurich strives to continue being among the most responsible and impactful companies in the world, we have intensified our focus on the UN Global Compact Business Ambition Pledge to limit global temperature rise to 1.5°C.

For many years now, we have been embedding sustainability into every fiber of the company and have been operating as a carbon-neutral business since 2014. In 2020, we became one of the first large institutional investors to prioritize the goals – rather than the monetary amount – of our impact investment portfolio.

Message from our Group CEO (continued)

The Dow Jones Sustainability Index (DJSI) named us No. 1 in the insurance industry for improving our scores across all three components of the ranking: governance and economic, environmental and social. Yet another sign that our long-term efforts are paying off.

We are continuing to audit our portfolio and engage with our customers that are exposed to thermal coal and oil sands. We will support companies in adopting greener practices – and stop underwriting for those unwilling to make the transition.

We are also working together with our commercial customers to help them adapt to current and future climate-related risks with Climate Change Resilience Services.

To contribute to climate goals and mobilize employee support for climate action, we launched the Zurich Forest. The reforestation project was developed together with non-profit Instituto Terra, and sponsors the planting of 1 million native seedlings to help restore Brazil's Atlantic Forest. Each Zurich employee can attach their name to a tree and become a custodian of the forest.

Looking ahead

2020 was a challenging year for our world. Yet it was also a year that vindicated our long-term approach to business. Laying stronger foundations in recent years has made Zurich more resilient. This meant we were able to react rapidly to a changing environment, reinforcing our bonds with our customers, employees and the communities in which we live and work.

It is the long-standing trust and loyalty of our shareholders that has allowed us to implement our long-term vision and benefit from the resilience it brings. We maintained a strong capital position in 2020 and are proposing a dividend that is the same as before the pandemic.

As I take this all in, I am filled with pride at our achievements and feel greatly optimistic for the years ahead.

Mario Greco
Group Chief Executive Officer

Our targets for 2020–2022

Compound organic earnings per share growth[2]
at least 5%
per annum

BOPAT ROE[1]
>14%
and increasing

Net cash remittances
>USD 11.5bn
(cumulative)

Swiss Solvency Test ratio[3]
160%
or above

1 Business operating profit after tax return on equity, excluding unrealized gains and losses.
2 Before capital deployment.
3 From FY-20 the basis for the Group's target capital has been changed to the Swiss Solvency Test (SST). Previously the target was based on the Group's internal Z-ECM basis.

Our business model

The resources we use:

Financial
Our investors provide the financial capital that sustains our business.

Intellectual
Our expertise, including in risk management and investment, contributes to our success.

Human
Our approximately 55,000 employees include some of the most talented people in the insurance industry.

Social and relationship
We maintain strong social ties and relationships with customers, intermediaries, regulators, policymakers and others.

Natural
In our daily business, we use natural resources as part of doing business. We conserve them and use them wisely.

We create sustainable value.

Over nearly a century and a half, we have refined our business model to make the most of our resources and generate value for all our stakeholders.

Our business model (continued)

What we do:

Manage claims
To ensure that we provide a positive experience to customers who do business with us, we are systematically listening to customers through our Net Promoter System (NPS) programs, not only as part of our claims process but throughout all customer touchpoints.

Serve customers and distribute through multiple channels
Our products and solutions are available to customers with a focus on great customer service, through many channels: directly, or indirectly via brokers, through employee benefits consultants, and in cooperation with third parties including banks, travel providers, retailers, rental agreements and car dealerships.

Invest and deliver returns
Our income includes returns from invested premiums, policy fees and deposits. Our success as a business is important to those who depend on us to reliably pay claims, as well as investors who look to us to deliver savings returns and operate our business responsibly.

Underwrite and manage risk
Insuring and managing risk is central to what we do. Understanding, measuring and modeling risks helps us to price risk fairly and offer competitive premiums to customers, who also look to us to provide expertise aimed at mitigating risks.

Manage reserves
Our Group-wide policy, the 'Zurich Way of Reserving,' with well-defined and prudent standards, is the basis for how we calculate insurance liabilities. Our reserving process is supported by strong governance, including extensive internal and external reviews.

How our stakeholders benefit:

We create value for our customers by helping them understand and protect themselves from risk.

Read more: page 30–31

We create value for our employees by aiming to give each the opportunity to work to their full potential.

Read more: page 32–33

We create value for our investors by paying an attractive and sustainable dividend and maintaining a strong balance sheet.

Read more: page 34–35

We create value for communities and society including by mitigating risk and sharing knowledge and expertise.

Read more: page 36–37

Our strategy

Leveraging our strengths.

We implement our strategy by remaining true to our purpose and values, and play to our strengths to lay the foundation for success. We have a balanced business with a solid financial position and a trusted brand driven by talented people.

Our strategic priorities focus on:

1. Customers
2. Simplification
3. Innovation

Our strategy (continued)

1 2 3

Customers

Our transformation to become a truly customer-led company is well underway and we have established a platform from which to evolve and grow.

Our progress so far

- We deployed a rapid and flexible response to our customers' needs in 2020 during the COVID-19 pandemic.
- We launched our Global Business Platforms unit to focus on digital services to meet evolving customer needs.
- We continue to build our relationship with existing customers, as well as step up innovation to win younger customers, including millennials and Generation Z.

Next steps

- Launch additional customer-focused digital propositions through our Global Business Platforms unit.
- Roll out our refreshed Brand Visual Identity globally to deepen our emotional connection with our customers.
- Enhance our Customer Experience offering across the Group to ensure we are able to meet the current and future expectations of our customers and partners.

1 2 3

Simplification

We have successfully simplified our business and operations, to make better use of our resources.

Our progress so far

- We increased the efficiency of our claims assessments through digital solutions, for example, an app in Spain enabled our adjusters to perform live claims assessments via a smartphone camera. This cut the entire assessment time to 15–30 minutes, compared with 10–15 days, previously.
- To further simplify the experience of our customers during the COVID-19 pandemic, we also rolled out the use of digital signatures across our business.
- We reorganized our internal IT and Data functions and brought in an expert in the field – Group Chief Information and Digital Officer Ericson Chan – to lead our efforts.

Next steps

- Continue our simplification journey, focusing on the front end.
- Use new data and technologies to bring new propositions to market, with the aim of driving growth in retail and commercial.
- Roll out more standardized and simplified products for small and medium-sized businesses through existing distribution channels.
- Roll out intelligent automation technologies in the core insurance functions across geographies, customer segments and lines of business and internal functions.

Our strategy (continued)

1 2 3

Innovation

We are adapting to make sure we continue to meet and exceed customers' expectations and needs.

Our progress so far

- To accelerate our digital strategy, we launched the Global Business Platforms unit.
- We further developed our risk services offering for commercial customers – listening to, and acting upon, what they really need and want.
- We also further enhanced Zurich Customer Active Management, a unit which allows us to better understand customer needs and how we can better serve them.
- We expanded and launched products, such as LiveWell, in new markets.
- We continued to cultivate the next generation of ideas in insurance through the Zurich Innovation Championship.

Next steps

- Continue to scale Zurich Customer Active Management across the Group to increase its impact on customers.
- Remain committed to our promise to help build confidence in a digital world.
- Continue to disrupt our own business model and to drive digital change at speed through our Global Business Platforms unit.

Making it happen…

Leveraging our strengths

We are a balanced and diverse business with unique capabilities. We use our strengths to generate value for our stakeholders and reach our goals:

A solid financial position

We are rated AA–/positive by Standard & Poor's. Our solid financial position reassures our customers that we will be there when they need us to handle their claims and gives confidence to our shareholders that we are financially stable. It also gives us a well-earned positive reputation as a business and employer, and positions us to invest in future growth.

A balanced business

Our business is balanced both geographically and by products and customer segments. Our strong retail and commercial franchise and flexible operating model means we can weather economic and market volatility and take advantage of industry change.

A trusted brand, talented people

We understand the risks our customers face and can structure offerings that meet their needs. This reinforces our global brand, one of the most valuable in the insurance industry. Our strong reputation allows us to attract the best talent worldwide.

Remaining true to our purpose and values

Generating profit is only part of what it means to be a business today. We have the ambition to become one of the most responsible and impactful businesses in the world, producing positive outcomes for people and the planet. We aim to achieve this through collaborating with our employees, investors, customers and the communities in which we live and work – and create a brighter future together.

Delivering on our aspiration

We aim to be one of the most responsible and impactful businesses in the world.

The following pages reflect how we are bringing our aspiration to life in different ways for the benefit of our stakeholders.

Delivering on our aspiration (continued)

Evolving in a fast-paced, digital world.

Insurance is entering a new age. As consumers young and old increasingly interact in the digital space, Zurich is stepping up its strategic focus on innovative, digital technology to meet their changing needs and win a new generation of customers.

Creating digital connections with customers

Rapidly changing lifestyles demand innovative digital services. Zurich's new Global Business Platforms, led by Jack Howell (right), is responding by creating and expanding the availability of digital products and services that will foster a closer connection with customers. It's part of Zurich's strategy to focus on simplification, innovation and the customer. Global Business Platforms is a groundbreaking step in reaching our goal of becoming our customers' preferred insurer.

Delivering on our aspiration (continued)

Remote inspections become reality

You might think site inspections would be impossible to conduct virtually. Not so fast. Using the Remote Collaboration feature of Zurich Risk Advisor, inspections are carried out through encrypted video links to a customer's handheld device. The tool, which also captures high-resolution photos, won a 2020 Business Insurance Innovation Award. It helps customers control their risks in multiple lines of business.

Big ideas battle for innovation crown

Innovation is on display during the Zurich Innovation Championship, a monthslong competition among some of the world's brightest startups. In its second edition in 2020, the event attracted more than 1,300 entrants and ended with the startup SafeKeep taking the Gold award for its property and casualty claims processing platform ClaimFlo. The competition reflects Zurich's commitment to a deep understanding of data analytics and the value that digital solutions bring to its customers.

Delivering on our aspiration (continued)

Zurich UK makes workforce fit for the future

Zurich set out to future-proof 3,000 UK workers – that's two-thirds of our UK workforce – with a GBP 1 million upskilling program to re-train them for roles in areas such as robotics, data science and cybersecurity over a five-year period. The long-term upskilling of home-grown talent will boost the adaptability and agility of our workforce, close skills gaps and could even save GBP 1 million in business recruitment and redundancy costs in the long run.

From risk transfer to risk services

In addition to traditional risk transfer, Zurich has established and expanded services to help commercial clients mitigate and adapt to risks, allowing them to stay one step ahead of adverse events. Whether it's helping companies grapple with risks related to climate change (see our Climate Change Resilience Services on pages 4–5) or providing cybersecurity services, we will continue to respond to growing demand from commercial customers for expertise and advice on building resilience over the long term.

Adopting a long-term approach.

As an insurer, we take a long-term view. By helping our customers build resilience to current and future risks, we develop lasting business relationships to the benefit of all our stakeholders.

Delivering on our aspiration (continued)

Helping customers LiveWell

A growing demand for wellness services is being addressed by LiveWell, formed in 2020 to bring together all of Zurich's health and well-being initiatives. The new business, led by its CEO, Helene Westerlind, is expanding services into new markets. And, acquisitions of digital health and well-being service providers are boosting its ability to offer innovative solutions. LiveWell is part of the new Global Business Platforms unit.

Making a positive impact on our people and society.

At Zurich, financial success is only the starting point. Our ambition is to become one of the most responsible and impactful businesses in the world, for people and planet.

Zurich's inclusive LGBT+ practices recognized

Zurich was the only insurance company to be named as one of the 2020 Top Global Employers by LGBT+ charity Stonewall. Zurich's LGBT+ employee network, called Pride@ Zurich, was strengthened by the Global Ally Program, launched in December 2019. The program creates a community of non-LGBT+ advocates, or allies, who increase visibility of the LGBT+ community. We believe employees are more engaged, more efficient and happier when they can bring their authentic selves to work.

Delivering on our aspiration (continued)

Using our purchasing power to do good

We launched the Sustainable Sourcing Vision in 2020 to embed our purpose and values into our supply chain and use our purchasing power to help drive positive social, environmental and ethical outcomes. For instance, in the UK we source our office supplies from WildHearts Group, a social enterprise that uses its profits to provide microfinance, improve social mobility in deprived communities, and address gender inequality in the developing world.

Helping charities when they need it most

As charities struggled due to the cancellation of fundraising activities and closure of charity shops, Zurich Municipal, which specializes in the UK public and voluntary sectors, stepped in to help. It provided 14,000 charity and social enterprise customers with three months of free insurance cover for all policies. That's one less expenditure for charities to worry about as they focus on supporting people impacted by the COVID-19 pandemic.

Stakeholder report 2020 – Customers

Innovation that puts customers first.

Throughout 2020, supporting our customers remained our No. 1 priority. Our teams around the world were able to seamlessly continue serving our customers in their remote working environments.

> We're reimagining what it means to be customer-focused and have built strong foundations for our ambitions.
>
> **Conny Kalcher**
> Chief Customer Officer

Key achievements

- Supported our customers throughout the COVID-19 pandemic
- Developed a new brand framework and purpose and launched a more dynamic visual identity to enhance our connection with customers
- Listened and acted on customer feedback through our Net Promoter System (NPS) programs, achieving a 2.5-point increase in our transactional NPS score in 2020[1]
- Created a Customer Intelligence Platform consolidating customer data to create 'one customer view'
- Launched a Customer Academy to strengthen customer capabilities across the Group
- Created two new roles to enhance our customer expertise

1 As we continue to expand our NPS programs, we report on like-for-like scores based on feedback channels that already existed in the previous reporting period.

Stakeholder report 2020 – Customers (continued)

Measuring our progress

Our customers – operational KPIs

Through the customer insights we get using the Net Promoter System (NPS) and follow-up calls with customers, we can increase customer loyalty and attract new customers.

Customers interviewed through NPS
Number of customers

Listening closely to our customers throughout the year has driven an increase in customer satisfaction, as measured by our global Net Promoter System (NPS) programs. During a year that tested our operational resilience, we delivered a 2.5-point increase in our transactional NPS score, demonstrating our unwavering customer focus even during challenging times. In addition to our service continuity, we also deployed a number of specific initiatives to address particular customer challenges resulting from the pandemic. For example, our UK business provided three months of free insurance cover to around 14,000 charities and social organizations at a time when fundraising opportunities were limited.

Refreshing our brand

Building on the foundation that our new brand framework and purpose provided, we launched a refreshed brand visual identity to enhance our emotional connection with customers. Our look and feel is now one of greater inclusion, reflecting the lives of our customers, employees, partners and communities. We also speak in a language that is more optimistic to invite dialogue, create conversations, and deepen our connections with customers. We can't predict the future, but we can have engaging conversations with new and existing customers about creating a brighter future together.

Customer innovation

2020 has had a profound impact on customer behavior and has accelerated the need for digital solutions across all customer demographics. We enhanced our monitoring of customer needs and behaviors throughout 2020 to ensure we delivered products and services with customers at their core. Zurich is at the forefront of a shift within the insurance industry, from paying compensation when harm is done, to helping individuals and society build resilience and prosper. Our LiveWell business is a prime example of how Zurich is delivering relevant and digital solutions for our customers. The digital-based business offers health and well-being services alongside traditional insurance protection to both retail and commercial insurance customers. We are also developing insurance and risk management solutions for new technologies, business models and approaches that will be required by customers to achieve the transition to a climate-neutral economy; for example, insurance for renewables and electric vehicles.

Gaining expertise, growing our business in attractive markets

We aim to be the world's first truly customer-led insurer. We are excited to see how our industry is changing. This change is driven by technology, which offers new opportunities and is transforming how customers live and work, and the services and experiences they expect. We are enthusiastically meeting these challenges to provide new and personalized solutions by working with young and established companies that specialize in areas ranging from artificial intelligence to wellness apps.

Customer Office

Throughout 2020, we continued to expand the Customer Office model across the Group, in line with our customer-led strategy. We established dedicated Customer Offices in some of our key markets, bringing together all key customer capability areas. We aim to enhance customer expertise within our organization through the newly created roles of Group Head of Brand Marketing and Group Head of Customer Experience Strategy and Innovation. To rapidly build customer capabilities across the company, we launched the Customer Academy, a digital training and development platform supplemented by Group-wide certification programs in Customer Experience (CX), Agile Working and Human-Centred Design.

USD 22.5 bn

In 2020, our Property & Casualty and Life businesses paid out USD 22.5 billion to our customers or on their behalf.

7.7 m

In 2020, our Property & Casualty and Life businesses handled 7.7 million new claims on behalf of our customers.

Stakeholder report 2020 – Employees

Creating value for our employees.

People drive our business. From investing in youth employment to upskilling workers, we are readying our business to attract, develop and retain talent in the workplace of the future. Together, we aspire to be known as a purposeful, values-driven organization that empowers its people at every stage of their career.

Key achievements

- Put our people first during the COVID-19 pandemic with a focus on well-being, healthcare benefits and enhancing existing flexible working practices
- Launched internal talent marketplaces in business units and functions to increase employee mobility and meet business needs, part of delivering on our commitment to work sustainability
- Our Employee Net Promoter System (ENPS) score, a barometer of employee satisfaction, rose 22 points in August 2020 compared to the previous survey in October 2019
- Our Zurich Apprenticeship Program in North America earned Gold in the 2020 Brandon Hall Group Excellence Awards, as well as a Pledge to America's Workers Presidential Award

Measuring our progress

Our employees – operational KPIs

To be successful, Zurich needs to attract, select, develop and retain talented and diverse people. Our employees are one of our greatest strengths – they make our goals a reality.

4.7%
Group voluntary turnover

10 years
Average employee tenure

Total number of employees

Headcount

2020	55,089
2019	55,369

Full-time equivalents (FTE)

2020	52,930
2019	54,030

Talent retention

Employee turnover rate[1]

2020	9.6%
2019	13.6%

Technical functions voluntary turnover[1, 2]

2020	4.6%
2019	6.5%

Organizational health and diversity

Female participation in Leadership Team

2020	27.1%
2019	22.6%

Employee participation in Group-wide feedback channels[3]

2020	84.0%
2019	76.0%

1 Turnover figures only consider regular and inpatriate employees.
2 Technical functions include Claims, Underwriting and Risk Engineering.
3 Group-wide feedback channels include organization health surveys, Employee Net Promoter System (ENPS) scores and any other Group-wide feedback channels. This KPI refers to the average participation rate in the two occurrences of the employee net promoter score survey in 2019, while in 2020 it refers to the single survey that was carried out.

Stakeholder report 2020 – Employees (continued)

Putting people first during the pandemic

Zurich is learning from the pandemic to develop new and flexible ways of working. We improved Flexwork@Zurich and other well-being-centric practices to enable business continuity during the crisis. We launched manager and employee webinars that focused on making sure managers have the right skills and tools to manage new situations and pressures in these extraordinary times.

Our focus on the mental wellness of our teams, as well as their overall well-being, is reflected in the results of our Employee Net Promoter System score, which increased by 22 points from October 2019 to August 2020.

Professional development, the digital way

To be agile and innovative, businesses need to consistently invest in upskilling and reskilling workers. Zurich's global digital learning platform MyDevelopment, launched in February 2020, won Bronze at the prestigious Excellence in Human Capital Management awards by the Brandon Hall Group. Zurich employees worldwide have access to Zurich internal content and more than 16,000 LinkedIn Learning courses across seven languages. They can access this content anywhere, at any time, and through any device.

Virtual onboarding

We responded rapidly to the COVID-19 pandemic in our approach to developing a virtual onboarding process. While this served us well during the pandemic, it is also shaping future strategy as we return to the office and seek to incorporate a more virtual onboarding experience for our new joiners. Corporate Center and many countries, including Poland and Brazil, have already adapted guidelines and moved to a fully virtual onboarding. Zurich North America and the UK made the switch to virtual interviewing and onboarding in just 48 hours.

Finding fresh perspectives from our existing pool of professionals

As part of our commitment to sustainable work practices, we launched a Talent Marketplace in several of our biggest business units and functions – including Zurich North America, Spain, and Group Operations. This helps us move human resources from areas with less demand to areas with high demand or more business-critical work, thus protecting our core activities and building resilience.

It both supports business delivery and provides on-the-job learning experiences for our people, so we can deliver to customers when it matters. Managers submit 'talent requests' for critical work their team is not able to manage and are matched with an employee who has the relevant skillset.

Youth talent acquisition that wins awards

The economic challenges and uncertainty of 2020 underscored the need for apprenticeships to help young people get on the job ladder. Our Zurich Apprenticeship Program earned Gold in the 2020 Brandon Hall Group Excellence Awards and was also recognized as one of nine winners of the inaugural Pledge to America's Workers Presidential Award. Zurich North America launched its professional apprenticeship program in 2016 with the vision of attracting new, diverse talent to the insurance industry. It has surpassed its original goal of hiring 100 apprentices by the end of 2020.

Developing our leaders

Zurich is committed to building talent. We successfully concluded the 12-month leadership development program Catalyst in October 2020. The program equips participants with the skills to take Zurich into the future of insurance by giving our leaders invaluable insights into customer centricity, digitalization and leadership. The program involved collaboration with a top-tier business school and included visits to leading global companies in the fields of sustainability, ecosystems, innovation, digitalization and leadership.

> "We're proactively preparing for the future of work for the benefit of employees and our customers.
>
> **David Henderson**
> Group Chief Human Resources Officer

Farmers®

Thanks to earlier investments in building up IT infrastructure, Farmers Group, Inc. (FGI) and the Farmers Exchanges[1] were able to successfully transition nearly all of their approximately 19,000 employees to a completely virtual work environment with no disruption in serving customers following the decision to implement a work-from-home procedure, all within a span of several days. Attentive to the safety and well-being of customers, employees and agents, FGI and the Farmers Exchanges[1] have continued to implement a technology-first approach to meeting the ongoing needs of customers, including claims and policy administration.

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

Stakeholder report 2020 – Investors

Reassuringly consistent.

Zurich has a highly cash-generative business model supporting an attractive dividend.

Monitoring and measuring our performance

Proposed gross dividend per share for 2020

CHF 20.00[1] per share

(CHF 20.00 in 2019)

Share data (CHF)

As of December 31

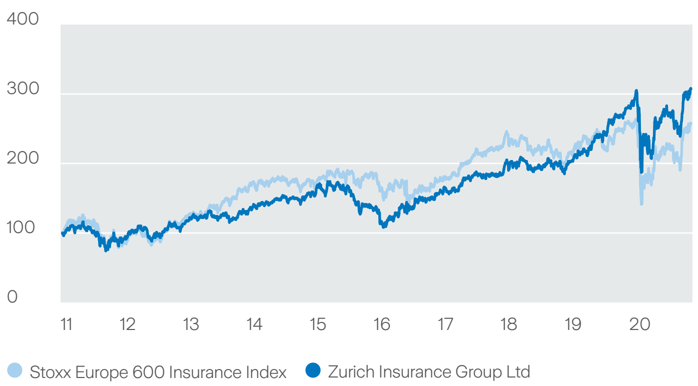
	2020	2019
Dividend per share	**20.00[1]**	20.00
Share price at end of period	**373.50**	397.10
Price period high	**439.90**	403.30
Price period low	**266.90**	293.00
Market capitalization (CHF millions)	**56,197**	59,409

1 Proposed dividend, subject to approval by shareholders at the Annual General Meeting, expected payment date as from April 13, 2021. Gross dividend, subject to 35 percent Swiss withholding tax.

For more details on dividends see:
www.zurich.com/en/investor-relations/our-shares/dividends

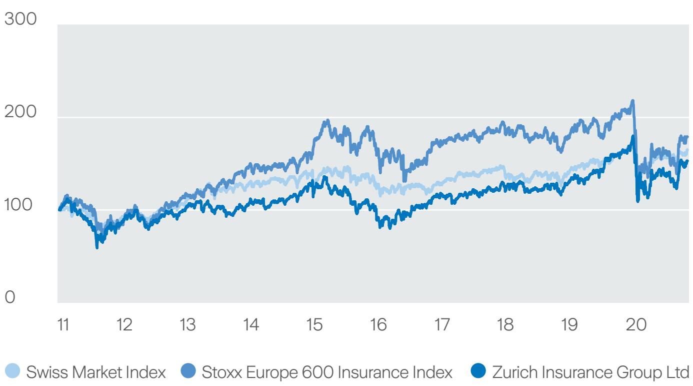
Dividend – a key part of total shareholder return (TSR)

Total shareholder return in U.S. dollars



Source: Refinitiv Datastream

Zurich share performance (indexed) over the last 10 years



Source: Refinitiv Datastream

Stakeholder report 2020 – Investors (continued)

Our proposition to investors

- Resilient business model
- Clear strategy
- Responsible and impactful business
- Clear and attractive dividend policy

A truly global and diversified group, well positioned for future success

Zurich is a leading global insurer, serving individuals, small businesses, and mid-sized and large companies, as well as multinational corporations. Zurich has significant market share in North America and Europe, a leading position in Latin America and a growing presence in Asia Pacific. With about 55,000 employees, it provides a wide range of property and casualty, and life insurance products and services in more than 215 countries and territories. It also provides certain non-claims and ancillary services to the Farmers Exchanges[1], a leading personal lines insurer in the U.S. Zurich is rated in the 'AA' range by three internationally recognized rating agencies. The Group's Swiss Solvency Test (SST) ratio was estimated at 182 percent[2] as of January 1, 2021. Zurich's financial flexibility is strong, with a conservative 'Aa'-level leverage as defined by Moody's.

The Group's regional and product diversification and conservatively managed balance sheet limited the impact of the COVID-19 financial fallout on earnings and capital in 2020. The planned acquisition by Zurich's subsidiary Farmers Group, Inc. and Farmers Exchanges[1] to acquire MetLife's U.S. Property & Casualty business, announced in December 2020, will significantly increase the potential for growth at the Farmers Exchanges[1] and will further increase the share of Zurich's profits linked to stable fee-based earnings.

Dividend policy

The Group intends to maintain its current attractive dividend policy and proposes a target pay-out ratio of around 75 percent of net income attributable to shareholders, subject to a minimum of the prior-year dividend per share, with dividend increases based on sustainable earnings growth.

Corporate governance and sustainability at Zurich

The balanced business profile of Zurich is also supported by best practice corporate governance. Its Board is independent and remarkably diverse in terms of gender and skills. Its remuneration principles align pay to performance and are an important element of the Group's risk management framework. The Group's ambition is to be known as one of the most responsible and impactful businesses in the world.

Zurich was the first insurance company to commit to setting targets within the framework of the UN Global Compact Business Ambition Pledge that aims at limiting global temperature rise to 1.5°C above pre-industrial levels.

As part of its pledge, Zurich has further enhanced its exclusion policy on thermal coal-intensive industries, invested more than USD 5 billion in impact investments, and further developed sustainable products and services, such as the Climate Change Resilience Services. As part of its sustainability commitment, Zurich prioritized the safety and well-being of employees during the COVID-19 pandemic and focused on increased internal talent mobility.

Zurich's sustainable track record is demonstrated by its 'AA' rating from MSCI and by its outperformance to 100 percent of other companies in the insurance industry group of the Dow Jones Sustainability Indices in the 2020 assessment, becoming industry leader. See www.zurich.com for further details on our corporate governance and sustainability approach.

Provision of financial information

Zurich's annual financial results are published in electronic form on Zurich's website. Detailed information for the Group and the key segments is published for the half and full year. Information on the Group's updates for the first three months and first nine months includes highlights for the quarter and qualitative comments on trading and market trends. Zurich's management hosts an investors' and analysts' call each quarter.

Financial calendar

Annual General Meeting
April 7, 2021

Ex-dividend date
April 9, 2021

Dividend payable from
April 13, 2021

Update for the first three months
May 12, 2021

Half-year results 2021
August 12, 2021

Update for the first nine months
November 11, 2021

Investor Day 2021
November 18, 2021

Further details are available online:
www.zurich.com/en/investor-relations/calendar

A dedicated investor relations team

Our investor relations team comprises nine individuals, who are responsible for communicating with investors.

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Zurich Insurance Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.
2 Estimated Swiss Solvency Test (SST) ratio as of January 1, 2021, has been calculated based on the Group's Internal Model, which has been approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA. FINMA agreed to the use of standard yield curves for the main currencies to calculate the SST, starting end of Q1 2020.

Stakeholder report 2020 – Communities, society and the environment

Acting today to protect our tomorrow.

Climate change poses one of the biggest and most complex risks to our way of life today. By taking action together, we can mitigate and adapt to the challenges facing our communities, society and environment, now and in the long term.

Key achievements

- Named insurance industry leader in 2020 by the Dow Jones Sustainability Index (DJSI), which tracks sustainability performance
- Became one of the first large institutional investors to prioritize the environmental and social goals of our impact investment portfolio, rather than the monetary amount
- Continued to make progress on sourcing operational electricity requirements from renewable sources, as part of our new climate strategy and continued carbon neutrality
- Expanded our Post-Event Review Capability (PERC) methodology to include wildfires to better understand how we can help to build resilience to these events

Building community resilience against natural hazards

We continued to expand our Post-Event Review Capability (PERC), which uses research and independent reviews of large floods to better understand how a hazard event becomes a disaster – and how best to build resilience. With our Zurich Flood Resilience Alliance partners, we undertook our largest and most complex post-event study review in 2020: that of two cyclones, which ripped across Malawi, Mozambique and Zimbabwe in 2019, causing the largest humanitarian disaster of that year. Zurich also expanded the PERC methodology to the new peril of wildfires, covering events in Australia and North America.

Stakeholder report 2020 – Communities, society and the environment (continued)

Transitioning to a low-carbon economy

Zurich is engaging its clients and investee companies with more than 30 percent exposure to some of the most carbon-intense fossil fuels in dialogue regarding their credible mid- to long-term transition plans. The policy was first introduced in 2017 for thermal coal and enhanced in 2019 to include oil sands and oil shales. Across the Group, we reviewed these companies either as customers, investee companies, or both. The table (right) shows the status of the review process, which will conclude in June 2021.

Number of companies subject to Zurich's coal and oil sands policy since November 2017
(number of companies)

97	58	113
Excluded[1]	Cleared[2]	Engagement ongoing[3]

1 Excluded: company exceeds Zurich's thresholds; relationship terminated.
2 Cleared: confirmation through review process that thresholds are no longer exceeded; relationship continued.
3 Engagement ongoing: continuing review of transition plans; relationship continued, based on evidence of actual movement towards targets.

Working for communities, society and the environment

We want to create a positive impact that reaches beyond Zurich, extending to the communities we serve, society at large – and the planet that supports us all. Our long-running commitment to sustainability is recognized by our first-place ranking for the insurance sector in the Dow Jones Sustainability Index (DJSI) in 2020. The index, which ranks thousands of companies, noted an improvement in our scores across all three dimensions of sustainability performance: governance and economic, environmental and social.

Supporting a 1.5°C future with a new climate strategy

To deliver upon our 2019 commitment to the UN Global Compact Business Ambition Pledge for 1.5°C – a Paris Agreement for the business sector – we set out a Group-wide climate strategy: our 1.5°C Future Plan. The plan focuses on three actions we can take as a business: setting CO2-based reduction targets, innovating for sustainable solutions, and developing a deep understanding and integration of climate risk.

Action One:

Setting CO2-reduction targets based on science

Zurich joined the UN-backed Net-Zero Asset Owner Alliance as a founding member and consulted with the Science Based Targets initiative, a collaboration between non-profit sustainability organizations, to formulate a methodology for financial services related to such targets. Based on these discussions, Zurich plans to establish science-based emission reduction targets for its USD 200 billion investment portfolio and its operational footprint in 2021, which will include interim reduction targets for 2025.

Currently, science-based targets do not exist for insurance underwriting portfolios. To help remedy this, we took part in producing the CRO Forum report on carbon footprinting methodology for underwriting portfolios.

Investing with impact

We are continuing to scale our award-winning methodology for generating positive social and environmental benefits from our impact investments, where we have committed to prioritizing impact rather than the monetary amount. Our target is to avoid 5 million tons of CO2-equivalent emissions per year and make a positive contribution to the lives and livelihoods of 5 million people annually. As of the end of December 2020, the portfolio helped avoid 2.9 million tons of CO2-equivalent emissions and improved the lives of 3.7 million people.

Powering ahead with renewable energy

Zurich aims to power its operations with 100 percent renewable electricity by the end of 2022: our RE100 target. As part of our short-term roadmap, we are focusing on the acquisition of renewable power certificates. In the medium- to long-term, we want to make a real impact in local energy markets by supporting the development of new renewable power capacity. In 2020, Zurich drew approximately 75 percent[1] of its operational electricity requirements from renewable sources, up from 53 percent in 2019. This rise was driven by the move to 100 percent renewable power by our North American, Brazilian, as well as many of our Asia Pacific operations.

1 2020 data will be available in Q2 2021.

Read more about our Group Sustainability Framework as well as Actions Two and Three in the Sustainability Report:
www.zurich.com/en/sustainability/reporting-and-news/reports-publications

Our 1.5˚C Future Plan – a Group-wide strategic framework to achieve our commitment to a 1.5˚C future

Aligning with a 1.5°C future

	Actions			Aspirations
Internal	**Action One: Set science-based CO2 reduction targets** – In our internal operations – In our investment portfolio	Leadership	Impact	**Creating a brighter future together** – Deliver our contribution to the future and live our purpose
External	**Action Two: Innovation for sustainable solutions** – Enabling adoption of sustainable behaviors	Opportunity	Growth	**Catalyze customer resilience and transition** – Innovatively support customers on physical and transition risk
Internal	**Action Three: Deeply understand and integrate climate risk** – Physical/transition line of business risks – Accumulation impacts	Risks	Quality	**Climate-risk optimized portfolio** – Financial performance and volatility improvements

Embed governance → Disclose via TCFD → Evaluate progress and adapt

Stakeholder report 2020 – Communities, society and the environment (continued)

Z Zurich Foundation

Empowering children

The Foundation will provide a three-year grant starting in 2021 to support children's rights throughout Switzerland, together with Zurich and the Ombudsstelle Kinderrechte Schweiz. The program aims to improve the lives of 6,000 children each year by helping them access the legal system, benefiting the child's wider family and generating greater awareness of children's rights in legal proceedings.

Z Zurich Foundation – Empowering the activist in all of us

The Z Zurich Foundation (the Foundation) is a charitable foundation with its registered office in Zurich, Switzerland. Established by Zurich Insurance Company Ltd and Zurich Life Insurance Company Ltd in accordance with Swiss law, it is the main vehicle by which Zurich delivers on its global community investment strategy.

To support its strategy, redefined in 2019, the Z Zurich Foundation focuses its efforts on three societal challenges. It does this by funding grant programs in collaboration with Zurich's business units and charities worldwide and by developing engagement initiatives.

Adapting to climate change
Focus on resilience

Improving mental well-being
Focus on prevention

Enabling social equality
Focus on empowerment

Z Zurich Foundation's COVID-19 support

The Z Zurich Foundation focused its efforts in 2020 on supporting some of the most vulnerable people worldwide during the pandemic. The Foundation provided immediate assistance to charitable organizations with which it already collaborates, and to charities Zurich's business units have been supporting for a long time, reinforcing existing collaboration. It funded local disaster relief initiatives focused on providing food and medical emergency relief, supporting mental well-being and adapting to the "new normal"; for example, by giving people access to technology. The Foundation also engaged Zurich employees in fundraising campaigns and other engagement initiatives to support their local charities.

Through these initiatives, it is estimated the Foundation helped support more than 1 million vulnerable people worldwide in 2020.

Z Zurich Foundation

Helping millions adapt to climate change

With its "Adapting to Climate Change" program, the Foundation will provide additional funding to the Zurich Flood Resilience Alliance (the Alliance), a multi-sector global partnership that helps communities strengthen their resilience to floods globally and save lives. This funding will help the Alliance reach another 200 communities, with the ambition to help approximately 4 million people overall strengthen their resilience to flooding by 2024.

Stakeholder report 2020 – Communities, society and the environment (continued)

“We’ve acted in every region of the world, delivering support to charities and their beneficiaries. Thanks to the commitment of Zurich’s people and local charities, we’ve been able to act rapidly.

Gary Shaughnessy
Chair of the Z Zurich Foundation’s Board of Trustees

Z Zurich Foundation

Lebanon Emergency Appeal

The Z Zurich Foundation launched a global emergency appeal to provide relief to the people affected by the explosions in Beirut. Contributions came from Zurich’s employees and other stakeholders. The Z Zurich Foundation matched contributions, resulting in a donation of more than CHF 145,000 to the Lebanese Red Cross.

Z Zurich Foundation

Changing attitudes and behaviors to improve mental well-being

The ‘Tackle Your Feelings’ program works with professional sports players and coaches to encourage communities in Ireland and Australia to proactively look after their mental well-being and challenge stigma associated with mental health. In 2020, the Foundation extended support to the Australian multi-award-winning program by a year and increased yearly funding, enabling the program to double its initial impact targets.

Governance

Message from our Chairman on corporate governance

Ensuring ESG remains front of mind.

"We will use our expertise, experience and global reach to help our customers enhance their resilience and to intensify their focus on the green agenda.

Michel M. Liès
Chairman of the Board of Directors

Message from our Chairman on corporate governance

Dear Shareholder

During these turbulent times, sound and stable corporate governance processes and good decision-making is more important than ever for our organization. During the COVID-19 pandemic, our focus remains on creating sustainable value for our stakeholders.

Building a better way

The pandemic has turned into an economic crisis that will have major social consequences for years to come. It poses the ultimate stresstest for Zurich's environmental, social and governance (ESG) response.

As governments, businesses and individuals focus on rebuilding economies, balance sheets, or simply paying the rent, ESG concerns must remain at the forefront of all of our minds.

ESG considerations and economic revival are not mutually exclusive; rather they go hand in hand. We believe we can restore economies in a way that decarbonizes industry, maintains prosperity, and decreases inequality at the same time. That's why Zurich is maintaining its current course. We remain committed to the UN Business Ambition for 1.5°C Pledge, an initiative aimed at limiting average global temperature increases to 1.5°C above pre-industrial levels.

We've integrated ESG in our investment decisions for many years. Furthermore, our impact investment portfolio has grown to USD 5.8 billion as of Q4 2020 – exceeding the USD 5 billion target for our impact investment portfolio set three years ago. We have also committed to utilize 100 percent renewable power across all global operations by the end of 2022 and and continue to deliver other operational sustainability initiatives in property, technology and sourcing and procurement across the Group.

And we want to go even further. We'll use our expertise, experience and global reach to help our customers enhance their resilience and intensify their focus on the green agenda by highlighting the risks associated with climate change and the opportunities of a 1.5°C future.

We'll challenge customers to rethink their use of carbon-intense fossil fuels. We'll develop insurance and risk management solutions for new technologies, business models and approaches that will help customers achieve an unprecedented transition to a climate-neutral economy.

Focusing on digital

As more people work from home and shop online for products and services, staying safe and secure in the digital realm is growing in significance.

Our global Data Commitment – a pledge to use our customers' data responsibly and securely – has never been more important.

The growth in digitalization is also a test of our work sustainability credentials. As the world changes, skills in specialist areas such as robotics, data science and cyber security will be required.

To meet these needs, we are focused on the long-term upskilling of our employees to enable them to enhance and develop their careers.

Changes to our Board and Executive Committee

There were no changes to the Board in 2020. The Board proposes to shareholders the re-election of all current members at the Annual General Meeting on April 7, 2021, and the election of Sabine Keller-Busse as a new member of the Board.

Ericson Chan became Group Chief Information and Digital Officer and member of the Executive Committee (ExCo) in October 2020. At the same time, Laurence Maurice assumed the role of Chief Executive Officer (CEO) Latin America (LatAm) and became a member of the ExCo. She succeeds Claudia Dill, who decided to step down from the role as of September 2, 2020.

Jack Howell has led the new Global Business Platforms unit since the start of 2021. He was succeeded in his previous role as CEO Asia Pacific by Tulsi Naidu, former CEO UK and newly appointed member of the ExCo. Kristof Terryn, former Group Chief Operating Officer, succeeded Kathleen Savio as CEO North America in January of this year.

These appointments are an important step toward embracing a digital future and further enhancing and broadening diversity within our executive team. Such diversity reflects the global nature of our business as well as our customer and employee base.

Our stakeholder community

The response to the pandemic demonstrates that governments, businesses and individuals across the world have the power, flexibility, and speed to deal with a global crisis. With the same determination and solidarity, we can confront climate change, leverage the opportunities of a green recovery, and tackle inequality in our society.

Above all, we want to encourage the world to build a better way and create a brighter future.

Thank you for your continued trust, support and engagement.

Michel M. Liès
Chairman of the Board of Directors

Key governance developments in 2020 and changes in 2021 – at a glance

Board of Directors

No new Board member has been elected nor has any existing Board member retired in 2020.

The Board proposes to shareholders that they re-elect all current members at the AGM on April 7, 2021 and that they elect Sabine Keller-Busse as a new member of the Board.

Executive Committee

New appointments

Ericson Chan
Group Chief Information and Digital Officer (Group CIDO)
(as of October 1, 2020)

Laurence Maurice
CEO Latin America (LatAm)
(as of October 1, 2020)

Resignations

Claudia Dill
Former CEO LatAm
(as of September 2, 2020)

Changes effective January 1, 2021

Kristof Terryn
CEO North America[1]

Tulsi Naidu
CEO Asia Pacific (APAC)

Jack Howell
CEO Global Business Platforms

1 Kathleen Savio, former CEO North America and former member of the ExCo, has been appointed to the newly created role of Group Chief Transformation Officer.

Corporate governance report

Contents

Introduction

The Zurich Insurance Group, consisting of Zurich Insurance Group Ltd and its subsidiaries (the Group or Zurich), is committed to effective corporate governance for the benefit of its shareholders, customers, employees and other stakeholders based on the principles of fairness, transparency and accountability. Structures, rules and processes are designed to enable proper conduct of business by defining the powers and responsibilities of its corporate bodies and employees.

This report describes the Group's approach to the key elements of corporate governance within the Group. It includes the information required under the following rules, with which Zurich complies:

– Directive on Information Relating to Corporate Governance of the SIX Exchange Regulation (as of March 20, 2018).
– Swiss Code of Best Practice for Corporate Governance (Swiss Code of Best Practice), issued in 2002 by economiesuisse, as amended in October 2007 and in August 2014.

The shares of Zurich Insurance Group Ltd are listed on the SIX Swiss Exchange. Certain Group companies have listed debt issued under its Euro Medium-Term Note Programme and other financial instruments.

Zurich is subject to insurance group supervision by the Swiss Financial Market Supervisory Authority FINMA (FINMA). The Joint Committee of the European Supervisory Authorities has also designated the Group as an insurance group and not as an insurance conglomerate because of the small size of its non-insurance activities. The Swiss Insurance Supervision Act (ISA) requires Swiss insurance companies and groups to establish and maintain strong governance and risk management systems as well as effective internal control systems that are appropriate to their business activities. It prescribes the calculation of a risk-based solvency margin on a Group-wide basis and at legal entity level pursuant to the Swiss Solvency Test (SST). Amongst others, all material intra-group transactions must be reported to FINMA. In addition to the group supervision exercised by FINMA and its insurance supervision of the legal entities Zurich Insurance Company Ltd, Zurich Life Insurance Company Ltd, Zurich Reinsurance Company Ltd and Orion Legal Expenses Insurance Ltd, the insurance subsidiaries and remaining financial services entities of the Group are supervised by the respective local supervisory authorities.

The principles of corporate governance and the standards described above are incorporated and reflected in a number of corporate documents, in particular the Articles of Association, the Organizational Rules and the Charter of the Committees of the Board of Directors of Zurich Insurance Group Ltd (www.zurich.com/en/about-us/corporate-governance/corporate-documents). The Governance, Nominations and Sustainability Committee of the Board of Directors of Zurich Insurance Group Ltd regularly reviews the Group's corporate governance against best practice standards and ensures compliance with corporate governance requirements.

This report essentially follows the recommended structure outlined in the Directive on Information Relating to Corporate Governance of the SIX Exchange Regulation. The information on compensation, shareholdings and loans to Board members and members of the ExCo is contained in a separate report, the remuneration report (see pages 92 to 125), which supplements this corporate governance report and also includes the information as required by the Circular 2010/1 on remuneration schemes (minimum standards for remuneration schemes of financial institutions) issued by FINMA on October 21, 2009 as amended on June 1, 2012, December 3, 2015 and September 22, 2016, as well as the Ordinance Against Excessive Compensation (Ordinance AEC) of November 20, 2013.

An effective structure is in place providing for cooperation between the Board of Directors of Zurich Insurance Group Ltd, management and internal control functions. This structure establishes checks and balances and is designed to provide for institutional independence of the Board from the Group Chief Executive Officer (Group CEO) and the Executive Committee (ExCo) which together are responsible for managing the Group on a day-to-day basis.

Corporate governance report (continued)

Remuneration Governance

The Board is responsible for the design and implementation of Zurich's Remuneration Rules[1], which include the overall remuneration philosophy, principles, system and practices. To support the Board in performing these duties, the Board has established a Remuneration Committee. On an annual basis, the Remuneration Committee evaluates Zurich's Remuneration Rules and the remuneration architecture, including the incentive plans which are discretionary and can be terminated or modified at any time. The Remuneration Committee proposes any amendments to the Board as required.

The Remuneration Committee and the Board receive independent advice from the executive compensation practices at Alvarez & Marsal. The Remuneration Committee reviews their mandates and fees, and evaluates ongoing performance. Alvarez & Marsal do not provide any other services to the Group.

At Remuneration Committee and Board meetings where decisions are made on the individual remuneration of either the Chairman, the Group CEO or other members of the ExCo, those individuals are not present. See pages 62 and 63 for further details on the Remuneration Committee and its responsibilities.

The remuneration approval framework is set out as follows:

A strong governance framework ensuring alignment of interest with Shareholders

Remuneration governance

Topic	Recommended by	Board approval	Shareholders' approval
Remuneration architecture	Board Remuneration Committee Board Risk & Investment Committee[1]		
Relevant chapters within the Organizational Rules	Board Remuneration Committee		
Zurich Remuneration Rules	Board Remuneration Committee		
Remuneration Report[2]	Board Remuneration Committee		Consultative vote
Board of Directors remuneration	Board Remuneration Committee		Binding vote
Group CEO remuneration	Board Remuneration Committee		Binding vote[3]
ExCo remuneration	Group CEO		Binding vote
Total variable remuneration[4]	Board Remuneration Committee		
STIP pool funding	Board Remuneration Committee[5]		
LTIP vesting level	Board Remuneration Committee[5]		

1 On recommendation of Group CEO.
2 Remuneration report addresses remuneration architecture, rules and disclosures.
3 The Group CEO remuneration is approved in aggregate with the ExCo remuneration.
4 The elements that make up the total amount of variable remuneration are outlined in the remuneration report.
5 Based on the performance achievements of the predefined metrics, an overall qualitative assessment and a risk assessment by Group Risk Management.

1 The remuneration policy of the Company, which serves as a framework for the governance, design, implementation and monitoring of the Group's remuneration architecture, is designed to support the Group's business strategy, risk management framework and operational and financial plans, and takes into account legal and regulatory requirements.

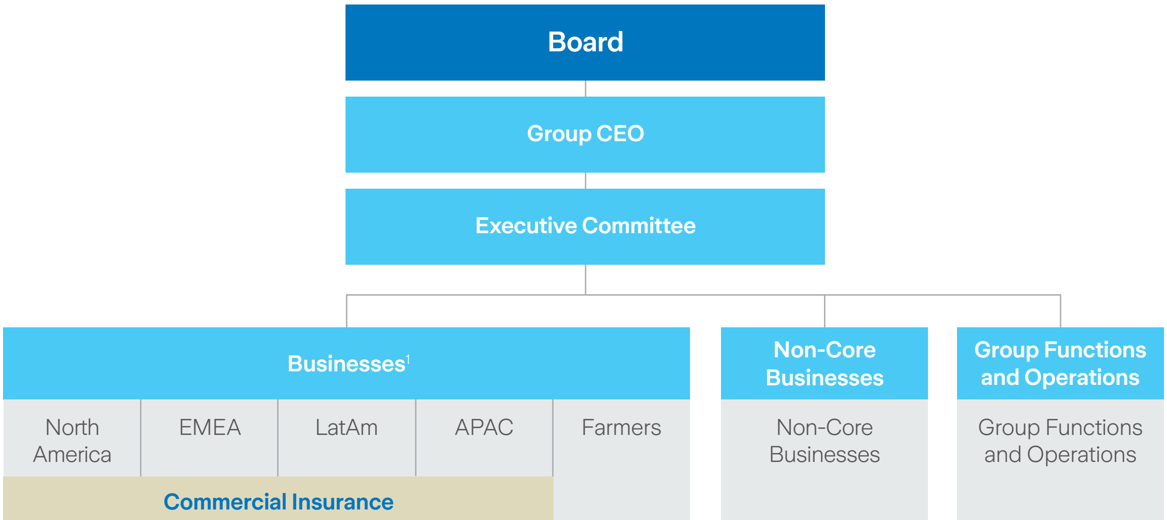
Group structure

Operational Group structure

Zurich Insurance Group Ltd, the Group's holding company, is a Swiss corporation organized in accordance with the laws of Switzerland and registered offices at Mythenquai 2, 8002 Zurich. Zurich's business is focused on providing best-in-class property and casualty, and life insurance products and services to individuals, small businesses, mid-sized and large companies.

The following chart shows the operational Group structure on December 31, 2020.

Operational Group structure
as of December 31, 2020



1 Businesses also includes the Global Business Platforms unit since January 1, 2021.

The Group pursues a customer-centric strategy and is managed by regions, and in addition, Farmers in the U.S. and Commercial Insurance globally. The ExCo is headed by the Group CEO. Six members of the ExCo represent the Group's businesses: the CEOs of the regions (CEO North America, CEO Europe, Middle East & Africa (EMEA) and Bank Distribution, CEO Latin America (LatAm), CEO Asia Pacific (APAC)), the CEO of Farmers Group, Inc. and the CEO of Commercial Insurance. Four members of the ExCo represent Group functions: the Group Chief Financial Officer (Group CFO), the Group Chief Investment Officer (Group CIO), the Group Chief Risk Officer (Group CRO) and the Group Chief Information and Digital Officer (Group CIDO). The Group CFO is also responsible for Group Reinsurance.

As of October 1, 2020, the Group Chief Operating Officer (Group COO) role was redefined to Group Chief Information and Digital Officer (Group CIDO) role and Ericson Chan was appointed to this role and became a member of the ExCo. This role covers the planning, development and operation of the technology functions and online ecosystems including responsibility for all of Zurich's IT operations and services. Group-level Underwriting and Claims functions are transferred to the remit of the CEO Commercial Insurance and Life Technical Functions to the remit of the CEO EMEA and Bank Distribution. For further information on the ExCo see pages 66 to 75.

The Group's operating structure reflects the businesses operated by the Group and how these are strategically managed to offer different products and services to specific customer groups. The Group's reportable segments for 2020 comprised:

- **Regions (EMEA, North America, LatAm and APAC):** segments through which the Group provides a variety of property and casualty and life products to retail and commercial customers as well as reinsurance propositions. **Commercial Insurance** brings together corporate and commercial insurance expertise worldwide under a single umbrella.
  - **Property & Casualty** is the business through which the Group provides a variety of motor, home and commercial products and services for individuals, as well as for small, mid-sized and large businesses.
  - The **Life business** pursues a strategy with market-leading propositions in unit-linked and protection products as well as fee-based solutions managed through three global pillars (Bank Distribution, Corporate Life & Pensions and Other Retail) to develop leading positions in its target markets.

Corporate governance report (continued)

- **Farmers** provides, through Farmers Group, Inc. (FGI) and its subsidiaries, certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact. FGI receives fee income for providing services to the Farmers Exchanges, which are owned by their policyholders and managed by Farmers Group, Inc. a wholly owned subsidiary of the Group. Farmers also includes all reinsurance assumed from the Farmers Exchanges by the Group. Farmers Exchanges are prominent writers of personal and small commercial lines of business in the U.S.
- **Group Functions and Operations** comprise the Group's Holding and financing and headquarters activities. Certain alternative investment positions not allocated to business operating segments are included within Holding and Financing.
- **Non-Core Businesses** include insurance and reinsurance businesses that the Group does not consider core to its operations and that are therefore mostly managed to achieve a beneficial run-off. Non-Core Businesses are mainly situated in the U.S., Bermuda and the UK.

A detailed review of the results of the businesses as reported for 2020 can be found in the financial review starting on page 182. An overview of the Group's business activities is also available within the Group overview section of this Report. Additionally, we will provide information about our business throughout the year on our Group website, including on the 'about us' pages (www.zurich.com/en/about-us).

A list of the Group's significant subsidiaries can be found on pages 301 to 302. Further information on the share listing of Zurich Insurance Group Ltd, can be found under the following link: www.zurich.com/investor-relations/our-shares/registered-share-data.

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Board of Directors

A diverse and independent Board.

Our Board is well positioned to support management in its efforts to deliver on strategic priorities. In addition, it is committed to addressing the needs of all stakeholders and has a strong focus on environmental, social and governance (ESG) integration.

Michel M. Liès

Chairman

Nationality: Luxembourg

Committee membership:
Governance, Nominations and Sustainability Committee (Chairman), Remuneration Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
Page 54

Christoph Franz

Vice-Chairman

Nationality: Swiss and German

Committee membership:
Remuneration Committee (Chairman), Governance, Nominations and Sustainability Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
Page 54

Joan Amble

Member of the Board of Directors

Nationality: U.S.

Committee membership:
Risk and Investment Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
Page 54

Catherine Bessant

Member of the Board of Directors

Nationality: U.S.

Committee membership:
Remuneration Committee,
Audit Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
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Board of Directors (continued)

Dame Alison Carnwath
Member of the Board of Directors

Nationality: British

Committee membership:
Audit Committee (Chairman), Governance, Nominations and Sustainability Committee, Risk and Investment Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
Page 55

Kishore Mahbubani
Member of the Board of Directors

Nationality: Singapore

Committee membership:
Remuneration Committee, Risk and Investment Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
Page 56

Michael Halbherr
Member of the Board of Directors

Nationality: Swiss

Committee membership:
Risk and Investment Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
Page 55

Jasmin Staiblin
Member of the Board of Directors

Nationality: German

Committee membership:
Remuneration Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
Page 57

Jeffrey Hayman
Member of the Board of Directors

Nationality: U.S.

Committee membership:
Risk and Investment Committee (Chairman), Governance, Nominations and Sustainability Committee, Audit Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
Page 56

Barry Stowe
Member of the Board of Directors

Nationality: U.S.

Committee membership:
Audit Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
Page 57

Monica Mächler
Member of the Board of Directors

Nationality: Swiss

Committee membership:
Governance, Nominations and Sustainability Committee, Audit Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
Page 56

Board of Directors

The Board, under the leadership of the Chairman, is responsible for determining the overall strategy of the Group, including a strong commitment to sustainability. It holds the ultimate decision-making authority for Zurich Insurance Group Ltd, except for decisions on matters reserved for the shareholders.

Board of Directors and its Committees
as of December 31, 2020

Board of Directors		
Michel Liès[1] Christoph Franz Joan Amble Catherine Bessant	Dame Alison Carnwath Michael Halbherr Jeffrey Hayman Monica Mächler	Kishore Mahbubani Jasmin Staiblin Barry Stowe

Governance, Nominations & Sustainability Committee	Remuneration Committee	Audit Committee[2]	Risk and Investment Committee[2]
Michel Liès[1] Dame Alison Carnwath Christoph Franz Jeffrey Hayman Monica Mächler	Christoph Franz[1] Catherine Bessant Michel Liès Kishore Mahbubani Jasmin Staiblin	Dame Alison Carnwath[1] Catherine Bessant Jeffrey Hayman Monica Mächler Barry Stowe	Jeffrey Hayman[1] Joan Amble Dame Alison Carnwath Michael Halbherr Kishore Mahbubani

1 Chairman of Board or Board Committee, respectively.
2 To facilitate an ongoing exchange of information between the Risk and Investment Committee and the Audit Committee, the Chairman of the Audit Committee is a member of the Risk and Investment Committee and at least one member of the Risk and Investment Committee is a member of the Audit Committee. The Chairman of the Board regularly participates in both the Audit Committee and Risk and Investment Committee meetings as a guest.

Elections

The members of the Board are elected by the shareholders at the AGM on an annual basis. Directors are elected by an absolute majority of the votes represented (art. 17 and 21 of the Articles of Association). The Board constitutes itself in its first meeting after the AGM, except for the Chairman and the members of the Remuneration Committee who, as required by the Ordinance AEC, are elected individually by the shareholders. The term of office of a Board member ends after completion of the next AGM.

All Directors of Zurich Insurance Group Ltd are also members of the Board of Directors of Zurich Insurance Company Ltd. Mr. Liès also serves as Chairman of that board. None of the Directors have further board memberships within the Group.

Honorary Chairman

Fritz Gerber, the long-standing Honorary Chairman of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd, passed away on May 10, 2020. He was appointed to this position in recognition of his leadership and extraordinary service to these companies and this appointment did not confer Board membership of director's duties or rights, nor did it entitle him to any directors' fees. With the passing of Fritz Gerber, the role of a Honorary Chairman no longer exists.

Corporate governance report (continued)

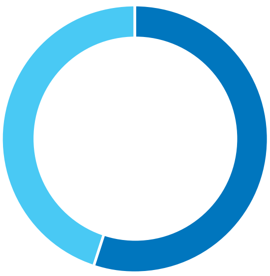
Board Composition

Diversity is a key factor for success in today's fast-changing global environment. Zurich's Board consists of individuals with different geographic and cultural backgrounds and experience, mirroring our international footprint and bringing local cultural perspective as well as regional networks. Its diverse set of knowledge and skills enable Board members not only to ensure a viable strategy and initiatives of the Group going forward and its sound management and control, but also to consider the views of all of Zurich stakeholders. Zurich's Board is one of the most gender diverse in Switzerland with 45percent women. It represents an age span from 50 to 72 years. The Board can draw on this diverse group of individuals to carry out its responsibilities and tasks, while taking into account a full range of current business and stakeholder needs.

As of December 31, 2020, the Board comprised members of six different nationalities. Board members' business experience covers a broad range of industries and jurisdictions, giving the Board profound collective knowledge of international business practices, different customer perspectives, employee needs, shareholder considerations and community and public interests. The Board also benefits from the broad cultural, educational and professional backgrounds of its members, which include insurance and financial services, macroeconomics, manufacturing, engineering, IT and technology, audit, compliance, legal, regulatory and sustainability know-how as well as experience in management and operations.

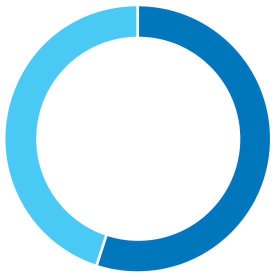
The average length of tenure was 4.4 years:

Board by length of tenure
%, as of December 31, 2020



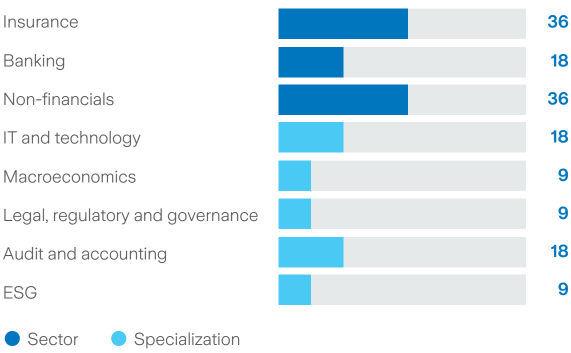
Less than 5 years	55
Between 5 and 10 years	45

Board by gender
%, as of December 31, 2020



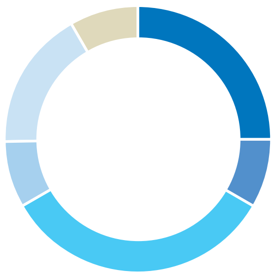
Male	55
Female	45

Board by background, experience, skills and knowledge
%, as of December 31, 2020



Board members are allocated to one or more nationality, sectors and/or specialization areas based on their individual profile.

Board by nationality
%, as of December 31, 2020



Switzerland	25
Luxembourg	8
U.S.	33
UK	8
Germany	17
Singapore	8

Corporate governance report (continued)

Biographies

Michel M. Liès
Chairman

Born: 1954

Skills and experience
Michel Liès has 40 years' experience in global insurance and reinsurance, life insurance, and property and casualty insurance. He has held a number of positions in the industry, including Group CEO of Swiss Re. He began his career at the reinsurer in 1978, working first in the life market in Latin America before moving to Europe in 1983, where he held a number of senior positions within Swiss Re's life businesses. In 1994, he moved into Swiss Re's non-life sector, with responsibility for southern Europe and Latin America. From 1998 he served as Swiss Re's Head of Latin America Division until 2000, when he was appointed Head of the Europe Division of its Property & Casualty Business Group. In 2005, he became Swiss Re's Head Client Markets with responsibility for client relationships worldwide, and was appointed a member of the reinsurer's Group Executive Committee. From 2011 to 2012, Mr. Liès served as Swiss Re's Chairman of Global Partnerships, which works with governments, international development bodies and non-governmental organizations (NGOs) to mitigate and address global risks and increase resilience. He was appointed Swiss Re's Group CEO in February 2012 and served in that role until his retirement from Swiss Re in 2016. He became Chairman of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2018.

Committee membership
Governance, Nominations and Sustainability Committee (Chairman), Remuneration Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Mr. Liès is chairman of Avenir Suisse, a member of the board of the Institute of International Finance (IIF), and a trustees board member of The Swiss Institute of International Studies. He is also a member of the European Financial Services Round Table and a member of the board of trustees of the Lucerne Festival. He also serves as a member of the steering committee of the Insurance Development Forum.

Educational background
Mr. Liès holds a master's degree in mathematics from the Swiss Federal Institute of Technology in Zurich (ETH). In 1991, he completed the Stanford Executive Program at Stanford University in the U.S. He completed the Senior Executive Program at Harvard University in 1996.

Christoph Franz
Vice-Chairman

Born: 1960

Skills and experience
Christoph Franz started his professional career in 1990 at Deutsche Lufthansa AG. From 1994 until 2003, he held different executive functions at Deutsche Bahn AG, including as member of the executive board and CEO of the passenger transport division. In 2004, he became CEO of Swiss International Air Lines Ltd, and in 2009 he was promoted to the role of deputy chairman of the executive board of Deutsche Lufthansa AG and CEO Passenger Airlines. From 2011 to 2014, Mr. Franz was chairman of the executive board and CEO of Deutsche Lufthansa AG. He became a member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2014. He was elected Vice-Chairman in April 2018.

Committee membership
Remuneration Committee (Chairman), Governance, Nominations and Sustainability Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Mr. Franz was elected chairman of the board of Roche Holding Ltd in March 2014. He is also a member of the board of directors of Chugai Pharmaceuticals Ltd (controlled by Roche Holding Ltd), and of Stadler Rail Ltd. Mr. Franz serves as a member of the board of trustees of Ernst-Goehner-Foundation, of Avenir Suisse, of the Swiss Study Foundation and of the Lucerne Festival and is a member of the advisory board of the University of St. Gallen (HSG). He was named as an honorary professor of business administration at the University of St. Gallen in May 2017. In September 2017, the International Committee of the Red Cross (ICRC) appointed Mr. Franz as a member of its Assembly, the organization's top governing body, and in May 2018 he was elected to the Assembly Council.

Educational background
Mr. Franz studied industrial engineering at the Technical University Darmstadt (Germany) and completed his studies with a Ph.D. in economic sciences (Dr. rer. pol.) at the same university. He also studied at the Ecole Centrale de Lyon (France) and conducted post-doctorate research at the University of California, Berkeley.

Joan Amble
Member of the Board of Directors

Born: 1953

Skills and experience
Joan Amble has substantial financial industry experience. She started her professional career as an accountant with Ernst & Ernst (currently Ernst & Young) in 1977. From 1984 to 1989, she served at the Financial Accounting Standards Board (FASB), specializing in pensions, derivatives and other financial instruments. She then spent 14 years with the General Electric Company (GE) in various leadership roles, including CFO GE Real Estate, COO and CFO GE Capital Markets, and as vice president and chief accounting officer GE Financial Services. From 2004 to May 2011, Ms. Amble served as executive vice president and principle accounting officer, and until the end of 2011 as executive vice president, Finance, of the American Express Company. In December 2011, Ms. Amble completed a four-year term as a member of the Financial Accounting Standards Advisory Council (FASAC). She has been a member of the boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd since April 2015.

Committee membership
Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Ms. Amble is a member of the board of Sirius XM Satellite Radio, where she chairs the audit committee. In addition, she is a member of the board and the audit committee at Booz Allen Hamilton. In January 2015, Ms. Amble was appointed to the Public Company Accounting Oversight Board's Standing Advisory Group, which advises on the development of auditing and professional practice standards. Since October 2016, Ms. Amble has been an independent adviser to the Control and Risk Committee of the Executive Committee of the U.S. affiliate of Société Générale S.A., a French multinational banking and financial services company. She is also involved in developing women in business, including as chair emeritus and co-founder of W.O.M.E.N in America, Inc. and through her various speaking engagements. Ms. Amble also participates in director and other forums and speaks on corporate governance and corporate culture.

Educational background
Ms. Amble received a Bachelor of Science in accounting from The Pennsylvania State University, and later became a certified public accountant (currently inactive).

Corporate governance report (continued)

Biographies (continued)

Catherine Bessant

Member of the Board of Directors

Born: 1960

Skills and experience
Catherine Bessant is chief operations and technology officer at Bank of America and a member of the Bank of America's executive management team. Since joining Bank of America in 1982 as a corporate banker, she has held numerous senior leadership positions within that company: president of Global Product Solutions and Global Treasury Services; chief marketing officer; president of Consumer Real Estate and Community Development Banking; national Small Business Segment executive; and market president of Bank of America, Florida. Prior to being appointed to her current position, Ms. Bessant served as president of Global Corporate Banking. Ms. Bessant has led Bank of America's Global Technology and Operations since 2010. In that role she is responsible for end-to-end technology and operating services, including business continuity and information security efforts across the company, and overseeing nearly 95,000 employees and contractors in more than 35 countries. Recognized for her multi-sector leadership, Ms. Bessant was inducted into the Most Powerful Women in Banking Hall of Fame by American Banker in 2020 after ranking as No. 1 of the "25 Most Powerful Woman in Banking" for three consecutive years. She became a member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in March 2017.

Committee membership
Remuneration Committee, Audit Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Ms. Bessant is on the board of trustees for the Urban Institute, is an independent member of the USA Field Hockey board of directors, serves on the advisory board of the Ross School of Business at the University of Michigan and is a member of the President's Council of Advisors on Science and Technology in the U.S. She previously served 16 years on the board of directors of Florida Blue, formerly Blue Cross Blue Shield of Florida, including serving as lead independent director.

Educational background
Ms. Bessant holds a Bachelor of Business Administration from the University of Michigan Ross School of Business.

Dame Alison Carnwath

Member of the Board of Directors

Born: 1953

Skills and experience
Dame Alison Carnwath has substantial financial industry experience. She began her career with Peat Marwick Mitchell, now KPMG, where she practiced as a chartered accountant from 1975 to 1980. From 1980 to 1982, she worked as a corporate financier for Lloyds Bank International. From 1982 to 1993, she was assistant director, then director, at J. Henry Schroder Wagg & Co in London and New York. From 1993 to 1997, Dame Alison was a senior partner at the financial advisory firm Phoenix Partnership. The firm was taken over by Donaldson, Lufkin & Jenrette (DLJ) in late 1997; she continued working for DLJ until 2000. Dame Alison has held several board offices. From 2000 to 2005, she was the chairman of the board of Vitec Group plc; from 2001 to 2006, a director of Welsh Water; from 2004 to 2007, of Friends Provident plc; from 2004 to 2007, of Gallaher Group; and from 2007 to 2010, she was the independent chairman of MF Global Inc. She also served on the boards of directors of Barclays from 2010 to 2012, and of Man Group plc from 2001 to 2013. From 2008 to July 2018, she was chairman of the board of Land Securities Group plc. She has been a member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd since March 2012.

Committee membership
Audit Committee (Chairman), Governance, Nominations and Sustainability Committee, Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Dame Alison has been a senior advisor of Evercore Partners since 2011. She has been a member of the board of PACCAR Inc. since 2005 and since September 2013 a member of the advisory council of the St. George's Society of New York. Since May 2014, she has been a member of the supervisory board of BASF SE and Chairman of the Audit Committee of BASF SE. In May 2018, she was appointed as independent non-executive director and member of the Audit Committee of BP plc.

Educational background
Dame Alison graduated in economics and German from the University of Reading. She was awarded honorary doctorates (LLB) from the University of Reading and the University of Exeter.

Michael Halbherr

Member of the Board of Directors

Born: 1964

Skills and experience
Michael Halbherr has extensive experience in the technology industry, serving as an investor, active board member and advisor for young, aspiring companies in many different areas including digital mapping, mobility technology, mobile operating systems, and industrial applications. He held leadership roles in Nokia Corporation from 2006 to 2014, including serving from 2011 to 2014 as member of Nokia's leadership team and later as CEO of HERE BV, a fully owned Nokia company and a leading company in automotive location technologies. From 2001 to 2006, he served as CEO of gate5, a Berlin-based mobile phone software startup, which Nokia acquired in 2006. From 2000 to 2001, he was a managing director at Europeatweb, an investor into gate5 and venture arm of Groupe Arnault. Prior to that, he was a manager at the Boston Consulting Group (BCG) from 1994 to 2000, in the company's Zurich and Boston offices, where he was an active member of BCG's technology practice. He began his career at the Laboratory for Computer Science at Massachusetts Institute of Technology (MIT), where he worked as a visiting scientist and post-doctoral researcher from 1992 to 1994 with a focus on programming paradigms for massively parallel computers. He joined the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2019.

Committee membership
Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Mr. Halbherr is a non-executive director and chairman of German Bionic Systems GmbH in Augsburg, Trafi Ltd. in Vilnius, FATMAP Ltd. in Berlin, and a strategic advisor of Zeotap GmbH. He is chairman of the board of trustees of the Institute for Mobility Research (ifmo), a research facility of the BMW Group.

Educational background
Mr. Halbherr holds a Ph.D. in electrical engineering from the Swiss Federal Institute of Technology (ETH) in Zurich.

Corporate governance report (continued)

Biographies (continued)

Jeffrey Hayman
Member of the Board of Directors

Born: 1960

Skills and experience
Mr. Hayman began his career as a claims representative in the property and casualty department of Travelers Companies in the U.S. in 1983, where he later held several positions. In 1998, he joined AIG as regional vice president, personal lines at AIU Far East in Japan. Beginning in 2003, he held various leadership positions within AIG, including as chairman of AIU Insurance Company in Japan and president and CEO of AIU Far East Holdings, Japan and Korea. From 2009 to 2011, Mr. Hayman served as senior vice president and chief administrative officer, and from 2011 to 2013 as executive vice president and CEO, Global Consumer Insurance, at AIG. In 2013, he served as president of international insurance operations at Starr Companies. He then became an independent consultant and advisor. He has been a member of the boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd since March 2016.

Committee membership
Risk and Investment Committee (Chairman), Governance, Nominations and Sustainability Committee, Audit Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
None

Educational background
Mr. Hayman holds an MBA in finance from the University of Hartford, Barney School of Business and Public Administration, West Hartford, and a bachelor's degree in arts, economics and political science from Saint Olaf College, Northfield. He is a chartered life underwriter and a chartered financial consultant.

Monica Mächler
Member of the Board of Directors

Born: 1956

Skills and experience
Monica Mächler has substantial legal, regulatory and governance expertise in a national and international context. She served as vice-chair of the board of directors of the integrated Swiss Financial Market Supervisory Authority (FINMA) from 2009 to 2012, having been the director of the Swiss Federal Office of Private Insurance from 2007 to 2008. From 2010 to 2012, Ms. Mächler chaired the Technical Committee of the International Association of Insurance Supervisors (IAIS). She assumed the roles of Group General Counsel and Head of the Board Secretariat of Zurich Insurance Group from 1999 to 2006 and was appointed a member of the Group Management Board in 2001 after joining in 1990. During the years 1985 to 1990, she was in private practice specializing in banking and business law. Ms. Mächler has been a member of several Swiss federal expert commissions on regulatory projects and regularly speaks, lectures and publishes on matters related to international business law and regulation, and their impact. From May 2012 until May 2018, she was a member of the supervisory board of directors of Deutsche Börse AG. She has been a member of the boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd since April 2013.

Committee membership
Governance, Nominations and Sustainability Committee, Audit Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Ms. Mächler has been a member of the board of directors of Cembra Money Bank AG since April 2015. She also chairs the advisory board of the International Center for Insurance Regulation at the Goethe University Frankfurt am Main and serves on the boards of the Stiftung für schweizerische Rechtspflege and of the Europa Institut at the University of Zurich.

Educational background
Ms. Mächler earned her J.D. at the University of Zurich's Law School and complemented her studies by attending programs on UK, U.S. and private international law. She is admitted to the bar of the Canton of Zurich.

Kishore Mahbubani
Member of the Board of Directors

Born: 1948

Skills and experience
Kishore Mahbubani began his career in 1971 as a diplomat with the Singapore Foreign Service, where he served until 2004, with postings in Cambodia, Malaysia, Washington D.C. and New York. He served two postings as Singapore's ambassador to the UN and as president of the UN Security Council in January 2001 and May 2002. Mr. Mahbubani was permanent secretary of the Singapore Foreign Ministry from 1993 to 1998. He served as founding dean at the Lee Kuan Yew School of Public Policy of the National University of Singapore (NUS) from 2004 until the end of 2017. In July 2019, he became a Distinguished Fellow at the Asia Research Institute (ARI) of NUS. He has spoken and published extensively on geopolitical and economic issues. In 2013, the Financial Times chose one of his books, 'The Great Convergence: Asia, the West and the Logic of One World,' as one of the best books of the year on economics. His latest book, 'Has China Won?,' published in the U.S. in April 2020, was described by Martin Wolf as "an excellent and important book." He has been a member of the Boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd since April 2015.

Committee membership
Remuneration Committee, Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
In September 2017, he was appointed non-executive chairman of the board of Aggregate Asset Management. Since January 2016, he has been an independent director of the board of Wilmar International Limited, Singapore. In addition, he has served on boards and councils of several institutions in Singapore, Europe and North America, and is currently a member of Yale's President's Council on International Activities (PCIA) and the World Economic Forum's Global Agenda Council on China. He was named a member of the American Academy of Arts and Sciences in April 2019.

Educational background
Mr. Mahbubani graduated with a first-class honors degree in philosophy from the University of Singapore and an M.A. in philosophy from Dalhousie University, Canada, where he was also awarded an honorary doctorate.

Corporate governance report (continued)

Biographies (continued)

Jasmin Staiblin

Member of the Board of Directors

Born: 1970

Skills and experience
Jasmin Staiblin brings to her role extensive knowledge of how business sectors transform and the growing importance of digitalization and sustainability as a competitive differentiator. She is recognized as one of Europe's top experts in the field of energy and served as CEO of Alpiq, a leading Swiss energy services provider and electricity producer in Europe, until December 31, 2018. She began her career in 1997 at the ABB Group, the Swedish-Swiss global technology company. She served in various global functions as a member of the management team for ABB's power technologies division. She held the position of CEO of ABB Switzerland from 2006 to 2012. In 2013, she became CEO of Alpiq Holding Ltd. She joined the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2019.

Committee membership
Remuneration Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Ms. Staiblin is a board member of Rolls-Royce plc, London; NXP Semiconductors N.V., Eindhoven; Georg Fischer Ltd., Schaffhausen; Ammann Group Holding AG, Langenthal.

Educational background
Ms. Staiblin studied physics and electrical engineering at the Karlsruhe Institute of Technology, Germany and the Royal Institute of Technology in Stockholm, Sweden. She completed her studies with a degree in physics and has a Master of Science in electrical engineering.

Barry Stowe

Member of the Board of Directors

Born: 1957

Skills and experience
Barry Stowe has extensive business experience and knowledge gained through executive roles in the insurance industry in North America and Asia. Between 2006 and 2018, he was a member of the board of directors and the group executive committee of Prudential plc. From 2015 to 2018, he served as chairman and CEO of Jackson Holdings Ltd, a subsidiary of Prudential plc, and from 2006 to 2015, as CEO of Prudential Corporation Asia. From 1995 to 2006, he held senior executive positions at American International Group (AIG), including serving as president of AIG Life Companies Accident & Health Worldwide based in Hong-Kong from 2001 to 2006. From 1992 to 1995, he served as president of NISUS, a subsidiary of Pan-American Life Insurance Group. From 1980 to 1992, he held several positions at Willis Corroon Group plc in the U.S., an insurance and reinsurance brokerage services company. He joined the boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd in April 2019.

Committee membership
Audit Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Mr. Stowe is co-chair of the Retirement Income Institute in Washington, D.C., vice-chair of Cheekwood Estate & Gardens in Nashville, Tennessee, and a member of the Tennessee Business Leadership Council.

Educational background
Mr. Stowe has a Bachelor of Arts in politics and classical studies from Lipscomb University in Nashville, Tennessee.

Independence of the members of the Board of Directors

Zurich considers the independence of its Board members an essential feature of good corporate governance. Zurich's independence criteria comply with applicable laws and reflect best-practice standards such as the SIX Exchange Regulation Directive on Information relating to Corporate Governance and the Swiss Code of Best Practice.

The Governance, Nominations and Sustainability Committee reviews Board members' independence status annually and reports its findings to the Board for final determination. In particular, the Governance, Nominations and Sustainability Committee checks the following independence criteria before recommending a new Board member for election and, thereafter, for re-election on an annual basis. It confirms that:

- no Board member, member of their immediate family, or any other related party, received – either directly or indirectly – any consulting or advisory fee or other compensation and/or material benefits from a member of the Zurich Insurance Group other than in their capacity as Board or Committee member in 2020 or the past three years;
- no Board members or any member of their immediate family, is or was employed by a member of Zurich Insurance Group in 2020 or the past three years.

Based on the recommendation of the Governance, Nominations and Sustainability Committee the Board determined that, as of February 10, 2021, the Board consisted entirely of Directors who were non-executive, independent from the management. For further information on the Group's independence policy, please see art. 16.6 of the Annex to the Organizational Rules (www.zurich.com/en/about-us/corporate-governance/corporate-documents).

Board members are also subject to rules and regulations to avoid conflicts of interest and prevent any misuse of insider information.

External mandates

In line with the Ordinance AEC, art. 33 of Zurich's Articles of Association (www.zurich.com/en/about-us/corporate-governance/corporate-documents) has rules on the number of mandates members of the Board and of the ExCo are permitted to hold, as shown in the table below.

At the AGM on April 1, 2020, the shareholders approved a change of the art. 33 para 1 of Zurich's Articles of Association as follows:

- members of the Board of Directors may not hold more than eight additional mandates, of which not more than three in listed companies.
- members of the Group Executive Committee may not hold more than four additional mandates, of which not more than one in a listed company.

Art. 33, para. 1, of the Articles of Association sets forth the following, generally applicable, maximum limits:

	Board of Directors	Executive Committee
Additional mandates for listed and non-listed companies (maximum in total)	8 maximum	4 maximum
Maximum of mandates for listed companies (included in total maximum)	3 maximum	1 maximum

Exempted from this general limit are the following categories of mandates (art. 33, para. 2, of the Articles of Association):

	Board of Directors	Executive Committee
Mandates for Group subsidiaries	No limit	
Mandates on behalf of the Group	5 maximum	5 maximum
Mandates for associations, charitable organizations, foundations or pension funds	5 maximum	5 maximum

Multiple mandates for different companies under unified control are counted as a single mandate. The maximum limits set forth in the Articles of Association do not discharge the members of the Board or ExCo from their duties to act with due care and protect Group interests. As in the past, additional mandates may be assumed only where, upon assuming such mandates, time and resources remain available to perform the office held in the Group.

Corporate governance report (continued)

Size of Board and tenure

The Articles of Association require in art. 21 that the Board shall consist of not less than seven and not more than thirteen members. According to the Group's Organizational Rules (art. 4.4), in general, the maximum tenure of Board members may not exceed 12 years, although exceptions may be made under special circumstances (www.zurich.com/en/about-us/corporate-governance/corporate-documents).

Internal organizational structure

The Board is chaired by the Chairman, or in his absence, by the Vice-Chairman. The Vice-Chairman is appointed by the Board. The Board also appoints its secretary.

Board meetings

The Board is required to meet at least six times each year. During 2020 it held 12 meetings (of which eleven were partly attended by tele-/videoconference and seven were held over two days). One meeting was fully dedicated to the discussion of strategy. Five meetings lasted four or more hours during the course of a day and five meetings lasted less than three hours on average. In addition, the Board approved no circular resolutions.

In 2020, average attendance at Board meetings was 99.24percent. In fulfillment of their duties, the members of the Board spent additional time participating in Board committee meetings and preparing for meetings.

During 2020, in view of the challenges posed by COVID-19 and the changed working environment, the format of Board meetings was changed to virtual meetings. In addition, several informal exchanges between Board members, in some instances with management participation, were facilitated.

as of December 31, 2020	Board of Directors	Governance, Nominations and Sustainability Committee	Remuneration Committee	Risk and Investment Committee	Audit Committee
No. of meetings held	12	7	5	7	7
No. of members	11	5	5	5	5
Meeting attendance, in %	99.24	100	100	100	97.14

Meeting attendance individualized

Joan Amble	12/12	–	–	7/7	–
Catherine Bessant	12/12	–	5/5	–	7/7
Dame Alison Carnwath	12/12	7/7	–	7/7	7/7
Christoph Franz	11/12	7/7	5/5	–	–
Michael Halbherr	12/12	–	–	7/7	–
Jeffrey Hayman	12/12	7/7	–	7/7	7/7
Michel M. Liès	12/12	7/7	5/5	–	–
Monica Mächler	12/12	7/7	–	–	7/7
Kishore Mahbubani	12/12	–	5/5	7/7	–
Jasmin Staiblin	12/12	–	5/5	–	–
Barry Stowe	12/12	–	–	–	6/7

Board

The Board is responsible for the ultimate management of Zurich Insurance Group Ltd and of the Group as a whole, as well as for the supervision of management. In particular, it is responsible for taking actions in the following areas:

- **Group strategy:** The Board approves the Group strategic plan and the overall Group targets upon the recommendation of the Group CEO and receives reports by the Group CEO on the implementation of and progress toward the Group Strategy.
- **Finance:** The Board approves the financial and operating plan annually and establishes guidelines for capital allocation and financial planning. Above certain thresholds, the Board approves major lending and borrowing transactions. It discusses the dividend policy and the Board's proposal for dividend. Within its authority the Board also makes resolutions on capital increases and the certification of capital increases and respective amendments to the Articles of Association.
- **Reporting:** The Board reviews and approves the Annual Report, the half year financial reporting of the Group, the Group's updates for the first three and nine months of the year, as well as the financial condition report. In addition, the Board approves the sustainability report.
- **Structure and organization of the Group:** The Board determines and regularly reviews the basic principles of the Group's structure and major changes in the Group's management organization, including major changes to Group functions. In this respect, the Board discusses the Group's corporate governance framework, its remuneration system and adequate controls and assurance. The Board also adopts and regularly reviews the Group's Code of Conduct, compliance and risk management. Further, as part of its duty to convene the shareholders' meeting, it approves and submits proposals to the shareholders' meeting.
- **Business Development:** Above certain thresholds, the Board regularly discusses and approves acquisitions and disposals of businesses and assets, investments, new businesses, mergers, joint ventures, co-operations and restructuring of business units or books of businesses.
- **Sustainability:** The Board approves the Group's sustainability strategy and objectives, including targets having a material impact on the Group. The Board also sets the Group's values and standards to ensure that the expectations of stakeholders are met.
- **Risk management:** The Board approves the Group's key risk management principles and procedures including, in particular, the Group's risk appetite and risk tolerance. It also approves the Own Risk and Solvency Assessment (ORSA) as well as the Group's Recovery Plan.

Additional information on the Board's responsibilities can be found in the articles 5.3 to 5.7 of the Organizational Rules of Zurich Insurance Group Ltd (www.zurich.com/en/about-us/corporate-governance/corporate-documents).

Activities 2020: In 2020, the Board specifically focused on the following:

- delivery on strategic priorities for strategic cycle 2020–2022, in particular with a view to commercial and retail business, new business models and brand, as well as the impact of COVID-19 on priorities, e.g., due to changed retail customer behavior
- implementation of the sustainability strategy and its inclusion into business objectives
- changes in Executive Committee as proposed by the Group CEO in alignment with strategic priorities
- close monitoring of financial and business exposures during COVID-19, impact on employees and operations
- succession of Board members
- impact of Brexit and implementation measures to be taken by the Group
- risk management and internal control framework, enabling integrated view of risks and assurance customer trends, structural industry changes and new technologies
- merger and acquisition and investment transactions
- Board self-assessment and resulting recommendations
- regulatory and legal environment.

Board assessment

At least annually, the Board reviews, on the basis of an assessment conducted by the Governance, Nominations & Sustainability Committee of the Board (which includes an appraisal by an external expert at least every three years), its own performance, as well as the performance of each of the Committees. Such a review seeks to determine whether the Board and the Committees function effectively and efficiently and whether any changes should be made to the membership of the Board and the Committees. The annual board self-assessment includes, in particular, the review of the profile of the Board members and the assessment of their availability to devote time to their mandate with the Board and its Committees (also with a view to the type and number of mandates carried out with other companies) (see Nomination Principles in article 15 ff. of the Annex to the Organizational Rules under www.zurich.com/en/about-us/corporate-governance/corporate-documents).

In its self-assessment in 2020, the Board focused in particular on the adequacy of its composition, culture, its adaptability during the COVID-19 crisis and the prioritization of topics. Based on a report of the results, the Board has determined appropriate steps to address the matters discussed.

Committees of the Board of Directors

The Board may establish committees for specific topics, terms of reference and rules with respect to delegated tasks, responsibilities and reporting to the Board. Except for the Remuneration Committee, the Board constitutes such committees from among its members at its own discretion.

The committees assist the Board in performing its duties. They discuss and propose matters to the Board in order that it may take appropriate actions and pass resolutions unless they are authorized to take resolutions in specific areas on their own. In 2020, committee meetings lasted over an hour and 40 minutes on average.

The Board has the following standing committees:

Audit Committee

Key tasks and responsibilities:

- serves as a focal point for communication and oversight regarding financial accounting and reporting, internal control, actuarial practice, and financial and regulatory compliance
- reviews the Group's auditing process (including establishing the basic principles relating to and making proposals for the audit of Zurich Insurance Group Ltd and the Group)
- at least annually, reviews the standards of internal control, including activities, plans, organization and quality of Group Audit and Group Compliance
- reviews annual and half-year consolidated financial statements of the Group, the Group's updates for the first three months and first nine months and the Financial Condition Report of the Group.

Activities 2020: During 2020, the following topics were in particular focus in the Audit Committee's discussions:

- annual and half-year reporting with a strong focus on accounting and reserving matters, as well as the Group's updates for the first three months and first nine months
- regular assessment of the financial position of the Group in view of COVID-19, its impact on financial operations and on performance versus the financial plan
- the effectiveness of the internal control framework, including internal controls over financial reporting (ICFR)
- the annual Group Audit plan, Group Audit findings and management implementation of improvement actions
- an assessment of the impact of COVID-19 on compliance risk and how the Group addresses fraud risk
- the work of the external auditors, the external auditor's findings on key judgments and estimates in financial statements as well as the transition to the new auditor to be proposed to shareholders for election at the Annual General Meeting 2021
- the annual Group Compliance Plan, activities to support management managing compliance risks, compliance policy updates and enhancements, compliance findings, the result of the annual Code of Conduct training, as well as evolving regulatory expectations
- legal and regulatory matters.

The Audit Committee meets at least four times per year.

Corporate governance report (continued)

Governance, Nominations & Sustainability Committee

Key tasks and responsibilities:

- supports the Board, in line with the Group's commitment to good corporate governance, sustainable business conduct and value creation, by establishing best practices in corporate governance across the Group with a view to ensuring that the shareholders' and other important stakeholders' rights are fully protected
- assists the Board in setting an appropriate tone at the top to promote key values and behaviors, and to ensure a sound and open culture throughout the organization
- develops and proposes guidelines to the Board for corporate governance and reviews them
- ensures compliance with corporate governance disclosure requirements and legal and regulatory requirements
- is entrusted with succession planning for the Board, the Group CEO and members of the ExCo. It makes proposals to the Board on the composition of the Board, the appointment of the Chairman, the Vice-Chairman, the Group CEO and members of the ExCo. Final decisions for nominations and appointments are made by the Board, subject to shareholder approval, where required. When identifying and proposing candidates as new Board members, preserving and increasing the Board's diversity is a key consideration. Apart from specific qualifications, every candidate should possess integrity, be of good standing, and be capable and available to fulfill his or her duty of care by serving, in close collaboration with the other Board members, the best interests of the Group's stakeholders (see Nomination Principles in article 15 ff. of the Annex to the Organizational Rules under www.zurich.com/en/about-us/corporate-governance/corporate-documents)
- reviews the system for management development and supervises progress made in succession planning
- reviews and proposes to the Board for approval the Group's sustainability strategy and objectives, including targets having a material impact on the Group.

Activities 2020: During 2020, the following topics were in particular focus in the Governance, Nominations & Sustainability Committee's discussions:

- changes in ExCo as proposed by the Group CEO in alignment with strategic priorities
- driving and monitoring the implementation of the sustainability strategy and its three pillars of changing climate, confidence in digital society and work sustainability in the business, including key initiatives such as aligning with a 1.5°C future
- non-financial disclosure standards and best practices in the industry
- succession of Board members
- executive management succession planning
- review of corporate governance documents and recommendation of changes to the Board
- developments affecting corporate governance, including changes to Swiss and international laws, regulations and trends
- review of corporate governance report and sustainability highlights report and recommendation to the Board for approval
- corporate governance roadshow.

The Governance, Nominations & Sustainability Committee meets at least twice per year.

Remuneration Committee

Key tasks and responsibilities:

- regularly evaluates the Group's remuneration architecture and system, as well as Zurich's remuneration rules, and proposes amendments to the Board, which is responsible for the design, implementation and monitoring of the Group's remuneration framework (further details of the Group's remuneration framework, including the remuneration philosophy are set out in the remuneration report on pages 92 to 125)
- reviews and proposes to the Board annually the terms of remuneration of the members of the Board
- based on Zurich's remuneration rules, reviews and proposes to the Board the terms and conditions of employment of the Group CEO and reviews those of other members of the ExCo, as proposed by the Group CEO, including the annual review of performance objectives and performance against these objectives, proposing respective amendments to the Board, as appropriate, for approval
- liaises with the Group CEO on other important matters related to employment, salary and benefits
- reviews the performance achievements of the predefined performance metrics related to short-term and long-term incentive plans (STIP and LTIP), as well as conducting a qualitative assessment of the performance, before reviewing and proposing to the Board the amount of the total variable remuneration pool
- reviews and makes proposals to the Board on the amounts of Board and ExCo remuneration to be submitted for approval at the AGM
- discusses the regulatory environment and risk management aspects regarding remuneration, and prepares the remuneration report annually in accordance with applicable laws and regulations.

Activities 2020: During 2020, the following topics were in particular focus in the Remuneration Committee's discussions:

- performance of the Group, the countries and the ExCo, as well as the approval of the STIP awards and the LTIP vesting level for the period ending December 31, 2019
- approval of the amount of total variable remuneration for 2019
- the regulatory environment regarding remuneration, as well as external developments and the implications for Zurich
- the Ordinance AEC, including the proposed maximum amounts of total remuneration for the Board and the ExCo for the shareholder votes at the AGM on April 1, 2020, and subsequently the results of the votes
- together with the Risk and Investment Committee, risk management aspects of the Group's remuneration architecture, as well as key activities with respect to identified key risk taker (KRT) positions, for example the risk-based assessment of KRTs
- the remuneration report and the Board of Directors report on the approval of the remuneration for the Board of Directors and the ExCo
- Zurich's remuneration rules, which were approved by the Board of Directors
- the annual Corporate Governance Roadshow
- compensation and remuneration structures of the Board and the ExCo, including share ownership in line with guidelines
- activities of the Group Pensions Committee
- the performance and incentive architecture for 2020 and looking ahead into 2021.

The Remuneration Committee meets at least twice per year.

Risk and Investment Committee

Key tasks and responsibilities:

Supports the Board to ensure sound risk and investment management for the Group and assists the Board to fulfill its duty to:

- oversee the Group's risk profile, and the Group's enterprise-wide risk management framework
- set an appropriate risk management and control framework
- oversee the Group's investment process

In particular, the responsibilities of Risk and Investment Committee include:

- Risk tolerance and risk governance framework:
  - overseeing the Group's risk tolerance, including agreed limits that the Board regards as acceptable for ZIG and the Group to bear, the aggregation of agreed limits across the Group, the measurement of adherence to agreed risk limits and the Group's risk tolerance in relation to anticipated capital levels
  - overseeing the Group's enterprise-wide risk governance framework (embracing policies, models, methodologies, reporting, systems, processes and people)
  - overseeing the impact of risk on economic and regulatory capital requirements
- Risk management and controls:
  - reviewing the Company's and the Group's general policies and procedures, and satisfying itself that effective systems of risk management are established and maintained
  - receiving periodic reports from the risk management function and assessing whether all 'significant' risk matters (as defined in the Zurich Risk Policy) are being appropriately addressed by ExCo members in a timely manner
  - reviewing and proposing to the Board for approval the Group ORSA report as well as the Group Recovery Plan
- Investments:
  - overseeing the investment process
  - reviewing and recommending for approval to the Board investments above pre-defined threshold
  - monitoring developments in the macroeconomic environment
  - receiving updates on the Group's annual strategic asset allocation, the market risk consumption relative to allocated market risk capital and limit and major market risk drivers, updates on the accounting investment result, the economic investment return relative to liabilities, and updates on the performance of asset managers.

Corporate governance report (continued)

Activities 2020: During 2020, the following topics were in particular focus in the Risk and Investment Committee's discussions:

- Enterprise Risk Management update, including quarterly risk reports, strategic risk assessment (Group TRP), and regular scenario analysis discussions
- Group Risk Appetite and Tolerance Statement 2021
- the Group's ORSA, including self-assessment of the effectiveness of the risk management system
- Group Recovery Plan 2021
- regular discussion of macroeconomic developments and impact on investment performance
- approach to managing accumulation risk
- updates on information security, data commitment, security and technology, third parties and resilience
- customer-facing conduct update
- P&C reserving update
- deep dive on investment operations and accounting
- updates from economic and regulatory capital perspectives, including disclosure
- model validation results 2019 and the plan for 2020
- credit and country risk update and semi-annual derivative report
- update on own insurance
- Group Risk Management (GRM) strategy update as well as regional risk updates
- reinsurance strategy update
- remuneration architecture and update on key risk takers.

For further information on risk governance, see the risk review on pages 128 to 158. The Risk and Investment Committee meets at least four times per year.

Information and control instruments vis-à-vis the ExCo

The Board supervises management and monitors its performance through reporting and controlling processes. It is regularly informed of developments relevant to the Group and is provided with timely information in a form and of a quality appropriate to the discharge of its duties in accordance with the standards of care set out in Article 717 of the Swiss Code of Obligations.

The Group CEO and other executives provide information and updates through regular reports to the Board. These include reports on key performance indicators and other Group-relevant financial data, existing and emerging risks, and updates on developments in important markets and on industry peers and other significant events. The Group CEO attends Board meetings ex officio. Members of the ExCo are regularly invited by the Board or Board Committees to attend meetings. Other executives also attend meetings from time to time at the invitation of the Board or Board Committees. Most Board and Board Comittees meetings include private sessions of the Board and its committees without the participation of management members. During 2020, the Chairman of the Board regularly met with the Group CEO. The Chairman meets from time to time with other ExCo members and management outside regular Board meetings. The other members of the Board do so as well, meeting with the Group CFO and the Group CRO in particular.

The Group has an information and financial reporting system. The annual plan for the Group, which includes a summary of financial and operational metrics, is reviewed by the ExCo in detail and approved by the Board. Full-year forecasts are revised, if necessary, to reflect changes in sensitivities and risks that may affect the results of the Group. Action is taken, where appropriate, when variances arise. This information is reviewed regularly by the ExCo and the Board.

The Group has adopted and implemented a coordinated, formal and consistent approach to risk management and control. Information concerning the Group's risk management and internal control processes is included in the risk review starting on page 128. The internal audit function, the external auditors and the compliance function also assist the Board in exercising its controlling and supervisory duties. Information on these functions' major areas of activity is set out on pages 77 to 80.

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Executive Committee

An Executive Committee focused on a new strategic cycle.

Our Executive Committee is well prepared for the new strategic cycle and is accelerating the digital transformation of our global business to meet the rapidly changing needs of consumers. At the same time, it's committed to helping Zurich become one of the most socially and environmentally responsible businesses in the world.

Mario Greco
Group Chief Executive Officer
Nationality: Italian

Read more: Page 72

Urban Angehrn
Group Chief Investment Officer
Nationality: Swiss

Read more: Page 72

Ericson Chan
Group Chief Information and Digital Officer
Nationality: Chinese (Hong Kong SAR)

Read more: Page 72

Jeff Dailey
CEO of Farmers Group, Inc.
Nationality: U.S.

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Executive Committee (continued)

Peter Giger
Group Chief Risk Officer

Nationality: Swiss

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George Quinn
Group Chief Financial Officer

Nationality: British

Read more: Page 74

Jack Howell
CEO Asia Pacific

Nationality: U.S.

Read more: Page 73

Kathleen Savio
CEO North America

Nationality: U.S.

Read more: Page 75

Alison Martin
CEO EMEA (Europe, Middle East & Africa) and Bank Distribution

Nationality: British

Read more: Page 74

James Shea
CEO Commercial Insurance

Nationality: Canadian

Read more: Page 75

Laurence Maurice
CEO Latin America

Nationality: French

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Kristof Terryn
Group Chief Operating Officer

Nationality: Belgian

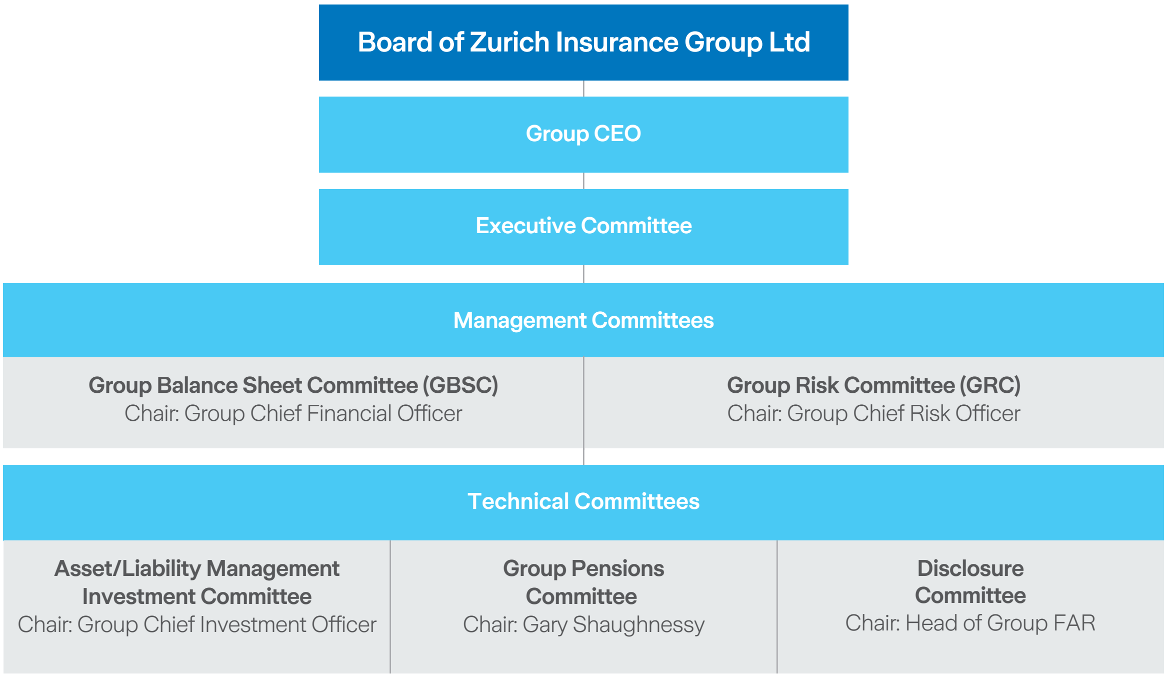
Read more: Page 75

Corporate governance report (continued)

Group Management

Executive Committee

Group Management
as of December 31, 2020



Subject to the powers reserved for the Board (see page 60), the Board has delegated management of the Group to the Group CEO and, under the Group CEO's supervision, to the ExCo and its members. The ExCo serves the Group CEO as the core management team in matters of Group-wide strategic, financial and business-policy relevance. The Group CEO is the most senior executive officer in the Group and has responsibility and accountability for the Group's management and performance. The Group CEO represents the overall interests of the Group toward third parties to the extent such interests are not represented by the Board. The Group CEO is responsible for developing and implementing the strategic and financial plans approved by the Board. The Group CEO has specific powers and duties pertaining to strategic, financial and organizational matters and manages, supervises and coordinates the activities of the members of the ExCo and of his other direct reports.

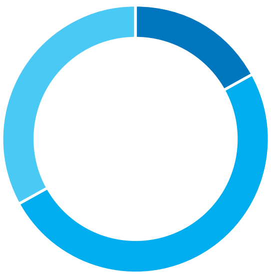
Corporate governance report (continued)

ExCo Composition

As of December 31, 2020, the ExCo included members of eight nationalities. ExCo members' business experience covers a broad range of jurisdictions, giving the ExCo profound collective knowledge of international business practices.

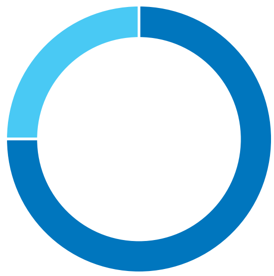
The average length of tenure was 4 years:

Executive Committee by length of tenure
%, as of December 31, 2020



Less than 1 years	17
Between 1 and 5 years	50
More than 5 years	33

Executive Committee by gender
%, as of December 31, 2020



Male	75
Female	25

Executive Committee by nationality
%, as of December 31, 2020

Switzerland	17
Italy	8
U.S.	25
UK	17
Canada	8
Belgium	8
France	8
China (Hong Kong S.A.R.)	8

Changes to the ExCo in 2020

Claudia Dill, former CEO LatAm, decided to step down from her role as CEO LatAm as of September 2, 2020 (please see her biography in the Annual Report 2019, page 71 under the following link: www.zurich.com/investor-relations/results-and-reports). As of October 1, 2020, Laurence Maurice was appointed as CEO LatAm and Ericson Chan was appointed as Group Chief Information and Digital Officer.

Changes to the ExCo since January 1, 2021

Kristof Terryn, former Group COO, was appointed CEO North America as of 1 January 2021, succeeding Kathleen Savio who stepped down from the ExCo as of the same date. Tulsi Naidu, former CEO UK, was appointed CEO APAC and became a member of the ExCo as of January 1, 2021 (please see her biography under the following link: www.zurich.com/about-us/corporate-governance/tulsi-naidu), succeeding Jack Howell who took over the role of CEO Global Business Platforms as of January 1, 2021, remaining a member of the ExCo in this capacity.

Management committees

The following cross-functional committees have been established for key areas to facilitate the coordination and alignment of recommendations to the Group CEO for approval on specific subjects.

Group Balance Sheet Committee (GBSC)

Members: Group CFO (Chairman), Group CEO, Group CRO, Group CIO. The Group General Counsel attends the meetings ex officio but is not a voting member.

Key tasks and responsibilities: The GBSC acts as a cross-functional advisory body for matters that could materially affect the financial position of the Group as a whole. The Committee issues recommendations to the Group CEO.

The Committee has oversight of all of the main levers of the balance sheet, including but not limited to transactions, capital management, reinsurance, asset and liability management, dividend and share buyback programs, liquidity, leverage, rating agencies and other balance sheet-related matters and topics as measured by the Internal Economic Capital Model, including Zurich Economic Capital Model (Z-ECM), Risk-Based Capital (RBC) and related models, such as the Swiss Solvency Test (SST) and Solvency II.

Oversight is exercised through regular review of plans, policies and specific transactions related to these areas and recommending appropriate actions to the Group CEO and, where appropriate, to the relevant decision-making bodies and management committees of the Group.

Core topics are:

- capital management on capital allocations and lending and borrowing decisions
- rating management strategy and target ratings management
- balance sheet planning on liquidity, solvency, investment and asset/liability management strategies and associated capital allocation, including changes to investment strategy
- business development matters on corporate transactions with third parties, internal restructuring, investments, including real estate, and entry into new types of business and markets
- material Group reinsurance strategy and reinsurance programs
- other topics and matters that may have a material impact on the balance sheet of the Group as determined by the chairman.

The Group Risk Committee (GRC)

Members: Group CRO (Chairman), Group CFO, Group CIO, Group COO[1], Group General Counsel. The Head of Group Audit and the Group Chief Compliance Officer are invited ex officio to attend the meetings, but are not voting members.

Key tasks and responsibilities: The GRC's main function is to review and provide recommendations to the Group CEO on activities related to the Group's overall risk profile, including insurance, financial markets, credit, operational and strategic risks.

The GRC reviews and recommends on topics such as:

- the overall Group risk appetite, risk tolerance and risk limits, including exceptions to limits over specified thresholds
- requests to enter new lines of insurance business or types of insurance coverage that would have a significant impact on the risk profile of the Group
- requests for exemptions from the Zurich Risk Policy (ZRP) for a particular transaction or product in case of a ratings or credit trigger
- the Group's TRP assessment and related actions
- changes to the Group Policy Framework and the ZRP, and exceptions to limits as required by the ZRP
- regulatory developments affecting the risk management of the Group and the Group's regulatory reporting
- prospective changes to capital models and methodologies that have a significant impact on economic solvency ratios
- the Group's model validation policy, and validation findings related to capital models and significant valuation models, including remedial actions
- market and credit risk internal model consumption relative to the Group's capital allocation, including remedial actions
- any significant deviations from established target solvency levels by subsidiaries, including remedial actions if needed.

1 Group COO replaced by CEO EMEA and Bank Distribution and CEO Commercial Insurance as of January 1, 2021.

Technical committees

In addition to management committees, the Group's governance structure provides for committees of a more technical nature to support further aspects of Zurich's business activities; these include:

The Asset/Liability Management Investment Committee, chaired by the Group CIO, acts as a cross-divisional body and has primary responsibility for monitoring and reviewing the Group's asset/liability management and the strategic asset allocation of Zurich's invested assets.

The Group Pensions Committee, chaired by Gary Shaughnessy, is responsible for developing, reviewing and advising on the Group governance framework in matters related to pension and post-employment benefit arrangements. It provides oversight and guidance in the areas of market, demographic and reputational risk. It reports to and makes recommendations to the GBSC on material pension-related matters, and reports regularly to the Remuneration Committee.

The Disclosure Committee, chaired by the Head of Group Financial Accounting and Reporting (FAR), is responsible for reviewing all external communications and disclosures that contain information material to the financial position and/or performance of the Group. In particular, it reviews half-year and year-end IFRS financial results as well as the updates for the first three and nine months of the Group and related documents, e.g., related news releases and analysts' information. It reviews other external communications that contain material information as to the financial position and performance of the Group, proposals from Group Compliance regarding projects that have an impact on the Group and respective dealing restrictions as well as controls and procedures regarding the effectiveness of the Group's internal controls over financial reporting. It makes recommendations to the Group CFO.

Management contracts

Zurich Insurance Group Ltd has not transferred key parts of management by contract to other companies (or individuals) not belonging to (or employed by) the Group.

Corporate governance report (continued)

Biographies

Mario Greco

Group Chief Executive Officer

Born: 1959

Skills and experience
Mario Greco joined Zurich in March 2016 as Group Chief Executive Officer and member of the Executive Committee. Mr. Greco started his professional career in management consulting, working in McKinsey & Company's Milan office from 1986 until 1994, where he became a partner in 1992 and subsequently a partner leader in the insurance segment. In 1995, he joined RAS (Allianz Group) in Milan as head of the claims division. He became general manager in charge of the insurance business the following year. In 1998, he was appointed managing director and in 2000, he became the company's CEO. At the end of 2004, Mr. Greco joined Allianz AG's executive board, with responsibility for France, Italy, Spain, Portugal, Greece and Turkey. In April 2005, he joined the Sanpaolo IMI Group in Milan as CEO of EurizonVita and in October 2005, he was appointed CEO of Eurizon Financial Group. From 2007 to 2012, he served at Zurich, first as CEO Global Life and from 2010, as CEO General Insurance. In 2012, he was appointed CEO of Generali.

External appointments
Mr. Greco is chairman of the Pan-European Insurance Forum and a member of the board of directors of the Swiss-American Chamber of Commerce. He is also a member of the International Advisory Council of Bocconi University, a member of the advisory board of the Department of Economics at the University of Zurich and a member of the EMBA X advisory board at the University of St. Gallen.

Educational background
Mr. Greco holds a bachelor's degree in economics from the University of Rome and a master's degree in international economics and monetary theory from Rochester University.

Urban Angehrn

Group Chief Investment Officer

Born: 1965

Skills and experience
Urban Angehrn joined the Executive Committee as Group Chief Investment Officer in July 2015. Before taking his current position, he served as Head of Alternative Investments and prior to that, from 2010 to 2012, as Head of Strategy Implementation in Investment Management. He joined Zurich in 2007 as Regional Investment Manager for Europe. Before joining Zurich, he held various positions in capital markets-related roles in the insurance and investment banking industries, including as Head of Allocation & Strategy in asset management at the Winterthur Group. He also served as an adviser to Swiss institutional clients in the use of derivatives, and held positions in derivatives marketing and fixed income sales at Credit Suisse and J.P. Morgan.

External appointments
Mr. Angehrn is the Chairman of the Board of Trustees of the Zurich Insurance Group Swiss Pension Plan. He is also a member of the advisory board of the Department of Banking and Finance at the University of Zurich.

Educational background
Mr. Angehrn holds a Ph.D. in mathematics from Harvard University and a Master of Science in theoretical physics from the Swiss Federal Institute of Technology in Zurich (ETH).

Ericson Chan

Group Chief Information and Digital Officer

Born: 1966

Skills and experience
Ericson Chan has an extensive background in technology leadership prior to joining Zurich as Group Chief Information and Digital Officer and as a member of the Executive Committee in October 2020. From 2016 to 2020, he was CEO of Ping An Technology where he helped to transform Ping An Group's business model and online ecosystems through digital services, including a range of Fintech products and online platforms. Between 1998 and 2016, he held several technology and operations leadership roles at Standard Chartered Bank in Hong Kong, Shanghai and Singapore, including Chief Information Officer for North Asia, Head of Corporate & Investment Banking Operations in China and Global Head of Consumer Banking Technology. He also has six years of HealthTech experience in the U.S.

External appointments
Mr. Chan is a member of the Hong Kong Monetary Authority Financial Infrastructure Advisory Committee and a member of the Board of the Centre for Finance, Technology and Entrepreneurship in London. He is the Chairman of the board of the Jane Goodall Institute in Hong Kong and is an Advisory Board member at the University of Wisconsin School of Business.

Educational background
Mr. Chan graduated from the University of Wisconsin-Madison with a Bachelor of Science degree in computer science and has an MBA from Edgewood College in Madison, Wisconsin.

Corporate governance report (continued)

Biographies (continued)

Jeff Dailey
CEO of Farmers Group, Inc.

Born: 1957

Skills and experience
Jeff Dailey began his career in 1980 with Mutual Service Insurance Company. He also worked for Progressive Insurance Company. He went on to form Reliant Insurance Company, an auto insurance start-up owned by Reliance Group Holdings, which was sold to Bristol West Holdings, Inc. in 2001. From 2001 until 2003 Mr. Dailey was Chief Operating Officer (COO) of Bristol West Holdings, Inc. and, in 2003 he was named President and COO of Bristol West Holdings, Inc., in conjunction with the firm's initial public offering (IPO) on the New York Stock Exchange. In 2006, he became CEO of Bristol West Holdings, Inc. Mr. Dailey joined Farmers Group, Inc. in 2007 as Vice President when Farmers acquired Bristol West Holdings, Inc., and he was promoted in 2008 to Executive Vice President of Personal Lines. In January 2011, he was promoted to the position of President and COO of Farmers Group, Inc. He became a member of the Board of Farmers Group, Inc. in February 2011 and has been its Chairman since October 2015. Mr. Dailey was appointed to his current role of CEO of Farmers Group, Inc. and became a member of the Executive Committee in January 2012.

External appointments
Mr. Dailey is a member of The Institutes Board of Trustees and serves on the advisory board of Team Rubicon, a disaster relief organization that brings together military veterans, first responders, medical professionals and technology experts.

Educational background
Mr. Dailey graduated from the University of Wisconsin-Madison with a bachelor's degree in economics and has an MBA from the University of Wisconsin-Milwaukee.

Peter Giger
Group Chief Risk Officer

Born: 1964

Skills and experience
Peter Giger has extensive experience in insurance and reinsurance, including in areas of finance, risk, strategy, underwriting and regulatory management. Prior to being appointed as Zurich's Group Chief Risk Officer and member of the Executive Committee, effective October 1, 2019, he served for four years from 2014 to 2018 as the head of the Swiss Financial Market Supervisory Authority FINMA's insurance division. During that time he also served as FINMA's deputy CEO and a member of its executive team. While at FINMA, he represented Switzerland in international organizations, instituted standard operating procedures and guidelines, and was instrumental in consolidating Swiss Solvency Test modeling. From 2002 to 2014, he held executive leadership roles at Zurich, including CFO General Insurance from 2010 to 2014. Prior to that, he headed Structured Finance at Swiss Re from 1999 to 2002. Mr. Giger began his career at Zurich, holding a series of management positions between 1992 and 1999.

External appointments
Peter Giger became a member of the Swiss Federal Institute of Technology (ETH) Risk Center's advisory board in February 2020. He has been a member of the CRO Forum since October 2019.

Educational background
Mr. Giger has a doctorate in business administration from the University of Zurich, and a master's degree in business administration, specializing in IT, from the University of St. Gallen.

Jack Howell
CEO Asia Pacific

Born: 1970

Skills and experience
Jack Howell has more than 25 years' experience in the financial services sector, of which more than 15 have been in various senior leadership positions for insurance companies in Asia. Prior to his appointment at Zurich, Mr. Howell was the regional officer for Asia for Assicurazioni Generali based in Hong Kong. He joined Generali from Prudential plc Group, where he briefly served as CEO and President Director for PT Prudential Life Assurance, Indonesia, and for almost six years as CEO of Prudential Vietnam Assurance. Before Prudential, he held various positions in AIG in the Philippines, Hong Kong and New York, co-founded a boutique investment bank called TwentyTen, and spent several years as a consultant, including in The Boston Consulting Group. Mr. Howell joined Zurich in September 2016 as CEO for Asia Pacific and became a member of the Executive Committee in October 2016.

External appointments
None.

Educational background
Mr. Howell holds an MBA from the University of Chicago and a Bachelor of Science in quantitative economics from Tufts University in Massachusetts.

Corporate governance report (continued)

Biographies (continued)

Alison Martin

CEO EMEA (Europe, Middle East & Africa) and Bank Distribution

Born: 1974

Skills and experience
Alison Martin has extensive management, financial and commercial experience within the insurance sector. She was appointed Chief Executive Officer Europe, Middle East & Africa (EMEA) and Bank Distribution in July 2019 and is responsible for Sustainability at Zurich Insurance Group. Prior to that, she served as Group Chief Risk Officer from January 2018 to September 2019. A qualified accountant, Ms. Martin began her career at PwC, where from 1995 to 2003 she worked with insurance clients in audit and advisory roles. She then served in leading executive positions at Swiss Re, starting in 2003 as Finance Director, Life & Health. Starting in January 2011, she served as Group Managing Director of Swiss Re's Life & Health Products Division. She was appointed Swiss Re's Head of Life & Health Business Management in 2013, a position she held until joining Zurich as Group Chief Risk Officer-designate and a member of the Executive Committee in October 2017.

External appointments
In June 2019, Alison Martin became a Councillor of the British-Swiss Chamber of Commerce.

Educational background
Ms. Martin earned a bachelor's degree in law, with honors, from the University of Birmingham in 1995. In 1998, she qualified with the Institute of Chartered Accountants in England and Wales as an associate member, and in 2010 she completed the Chartered Financial Analyst investment management certificate.

Laurence Maurice

CEO Latin America

Born: 1965

Skills and experience
Laurence Maurice has extensive experience in the insurance industry and in organizational transformation. Before joining as CEO Latin America and as member of the Executive Committee in October 2020, she served for five years as Allianz Partners' CEO of Spain and Head of Southern Europe. During that time, she revamped strategy while supporting her company's global transformation. Before this, she spent seven years as Global CFO at Allianz Global Assistance and seven years as Brazil and then Latam Regional CFO for Allianz Seguros. After beginning her career at PWC, she held positions as Head of Business Division and Head of International Internal Audit at Allianz France.

External appointments
None.

Educational background
Ms. Maurice holds an engineering degree from SupAgro Montpellier and a master's degree in audit from ESCP Europe.

George Quinn

Group Chief Financial Officer

Born: 1966

Skills and experience
George Quinn started his career at KPMG 1988 in London, where he held several positions working with the insurance and reinsurance industry. He joined Swiss Re in 1999 as Group Chief Accounting Officer based in Zurich and later served as Chief Financial Officer (CFO) for Swiss Re Group's financial services. Mr. Quinn became the regional CFO for Swiss Re Americas based in New York in 2005. In March 2007, he became Swiss Re Group's CFO. Mr. Quinn joined Zurich in May 2014 as Group CFO and is a member of the Executive Committee.

External appointments
Mr. Quinn is a member of the finance chapter of the Swiss-American Chamber of Commerce.

Educational background
Mr. Quinn holds a degree in engineering from the University of Strathclyde. He is also a member of the Institute of Chartered Accountants in England and Wales.

Corporate governance report (continued)

Biographies (continued)

Kathleen Savio
CEO North America

Born: 1965

Skills and experience
Kathleen Savio is Chief Executive Officer for Zurich North America, a position she has held since January 2018. She became a member of the Executive Committee in October 2017. She has more than 25 years of experience working across several disciplines at Zurich. From 2012 through 2017, she served as Zurich North America's Head of Alternative Markets, which delivers products and services to customers through multiple distribution channels, including direct, program administrators, crop agents, captive consultants and brokers. Prior to that appointment, Ms. Savio held the position of Chief Administrative Officer for North America Commercial. Before assuming that role, she led Corporate Marketing and Communications for North America Commercial, as well as Strategic Initiatives for Marketing and Distribution. She also has held roles in product underwriting and corporate marketing and within key business units. She joined Zurich in 1991.

External appointments
Ms. Savio is a board member and serves on the Executive Committee of the American Property Casualty Insurance Association (APCIA). She is also a board member for The Institutes and sits on the NYU Stern Center for Sustainable Business Advisory Board. She is a member of The Chicago Network, an organization of Chicago's leading professional women.

Educational background
Ms. Savio earned a master's degree in communication and a bachelor's degree in speech communication from Illinois State University. She is also a graduate of the Harvard Business School Advanced Management Program and has participated in executive management programs at Northwestern University's Kellogg School of Management.

James Shea
CEO Commercial Insurance

Born: 1965

Skills and experience
James Shea began his insurance career at AIG in 1994 as a financial lines underwriter in New York. He joined the American International Underwriters (AIU) division in 1996, where he held several senior underwriting and general management positions. These included senior vice president of International Financial Lines, regional president for Central Europe and the Commonwealth of Independent States and managing director of AIG UK. In 2011, he was appointed president of Global Specialty Lines and in 2012 his role was expanded to CEO of Commercial Insurance for AIG in Asia Pacific. Most recently he was President of Global Financial Lines based in New York. During his career, he has worked in Canada, the U.S., UK, France, Japan and Singapore. Mr. Shea joined Zurich in September 2016 as CEO Commercial Insurance and as a member of the Executive Committee, effective October 2016.

External appointments
None.

Educational background
Mr. Shea holds a bachelor's degree in political science from McGill University, Canada.

Kristof Terryn
Group Chief Operating Officer

Born: 1967

Skills and experience
Kristof Terryn began his career in 1993 in the banking industry, where he worked in capital markets. In 1997, he joined McKinsey & Company where he held various positions within the financial services practice in Brussels and Chicago. He joined Zurich in 2004 in the Finance department. In 2007, he became Chief Operating Officer (COO) for the Global Corporate business division and in January 2009 was named COO for General Insurance. Mr. Terryn became a member of the Executive Committee in 2010 upon his appointment as Group Head Operations. In September 2013, he was appointed CEO Global Life, and after becoming CEO General Insurance in October 2015, continued to serve as CEO Global Life on an ad interim basis until the end of December 2015. He was appointed Group Chief Operating Officer effective July 2016.

External appointments
None.

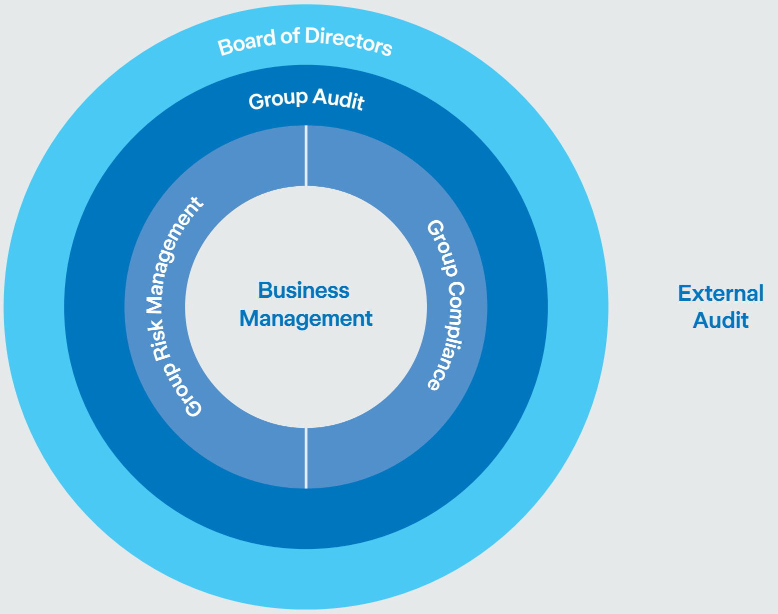
Educational background
Mr. Terryn holds a law degree and a degree in economics from the University of Leuven, Belgium, as well as an MBA from the University of Michigan.

Corporate governance report (continued)

Governance, controls and assurance at Zurich Insurance Group

At Zurich, various governance and control functions help to ensure that risks are identified, and appropriately managed and internal controls are in place and operating effectively. The Board is ultimately responsible for the supervision of these activities. Although each governance and control function maintains its distinct mandate and responsibilities, the functions are closely aligned and cooperate with each other through a regular exchange of information, planning and other activities. This approach supports management in its responsibilities and provides confidence that risks are appropriately addressed and that adequate mitigation actions are implemented.

Three lines of defense at Zurich Insurance Group
as of December 31, 2020



Zurich uses the three-lines-of-defense model in its approach to governance and enterprise risk management. Zurich's three-lines-of-defense approach runs through Zurich's governance structure, so that risks are clearly identified, assessed, owned, managed and monitored.

1st line: Business Management

The first line of defense consists of business management and all functions except Group Risk Management, Group Compliance and Group Audit. The first line takes risks and is responsible for day-to-day risk management (i.e. risks are identified and monitored, mitigation actions are implemented and internal controls are in place and operating effectively).

2nd line: Group Risk Management and Group Compliance

The second line of defense consists of the two control functions, Group Risk Management and Group Compliance. Group Risk Management is responsible for Zurich's enterprise risk management framework. The Group CRO regularly reports risk matters to the Group CEO, senior management committees and the Risk and Investment Committee of the Board. Group Compliance is responsible for providing assurance to management that compliance risks within its mandate are appropriately identified and managed. The Group Chief Compliance Officer regularly provides reports to the Audit Committee and has an additional reporting line to the Chairman of the Audit Committee and appropriate access to the Chairman of the Board.

3rd line: Group Audit

The third line of defense consists of the assurance function Group Audit. Group Audit is responsible for auditing risk management, control and governance processes. The Head of Group Audit reports functionally to the Chairman of the Audit Committee and administratively to the Group CEO, and meets regularly with the Chairman of the Board and the Chairman of the Audit Committee and attends each meeting of the Audit Committee.

Board

The Board is ultimately responsible for the supervision of the control and assurance activities.

External Audit

External audit is responsible for auditing the Group's financial statements and for auditing Zurich's compliance with specific regulatory requirements. The Audit Committee regularly meets with the external auditors.

External auditors

Duration of the mandate and term of office of the auditor-in-charge

PricewaterhouseCoopers AG (PwC), Birchstrasse 160, in 8050 Zurich, is Zurich Insurance Group Ltd's external auditor.

PwC assumes all auditing functions which are required by law and by the Articles of Association of Zurich Insurance Group Ltd. The external auditors are appointed by the shareholders of Zurich Insurance Group Ltd annually. At the Annual General Meeting on April 1, 2020, PwC was re-elected by the shareholders of Zurich Insurance Group Ltd.

PwC and its predecessor organizations, Coopers & Lybrand and Schweizerische Treuhandgesellschaft AG, have served as external auditors of Zurich Insurance Group Ltd and its predecessor organizations since May 11, 1983.

Alex Finn of PwC is the Global Relationship Partner and lead auditor since the business year 2018. Mark Humphreys, audit engagement partner, co-signs the auditors' report for 2020 and is the auditor in charge for the statutory audit work since 2014. Ray Kunz is the auditor in charge for the regulatory audit work since 2017.

The Group has updated its policy on the rotation of the external audit mandate to adopt best practices adopted by the European Union and as a result will rotate its external auditor in 2021. The Group will thereafter tender its external audit mandate every ten years. In 2018, in accordance with this policy and in order to allow the greatest amount of flexibility and time for a smooth transition to the selected audit firm, the Group ran a competitive, transparent and fair tender process and selected Ernst & Young Ltd to replace PwC as of financial year 2021.

The Board proposes that Ernst & Young Ltd be elected at the Annual General Meeting on April 7, 2021 as external auditor for the financial year 2021. Ernst & Young Ltd fulfills all necessary requirements under the Swiss Federal Act on the Admission and Oversight of Auditors and has been admitted as a registered auditing company by the Federal Audit Oversight Authority.

Audit fees

Total audit fees (including expenses and value added taxes) charged by PwC in the year 2020 amounted to USD 44.3 million (USD 43.8 million in 2019).

External audit fees are reviewed annually by the Group's Audit Committee. Once the fees are agreed, they are further allocated to the countries and reporting units via a global allocation process with the allocations communicated to local CFOs and FAR Controllers. As the year comes to a close, actual fees charged are reviewed and agreed with the local CFOs. At all levels – Group and local – there is a clear understanding of the basis for the current year fee including the impacts of changes in scope or other factors. Unplanned overruns are reviewed and agreed with the business (responsible CFO or audit contact).

Non-audit fees

Total fees (including expenses and value added taxes) in the year 2020 for additional services, such as tax advice, audit-related services (primarily for the Market Consistent Embedded Value (MCEV) review, non-audit assurance engagements and actuarial regulatory reviews) and other services were USD 12.9 million (USD 19.4 million in 2019).

The Group has a comprehensive policy covering non-audit services. The Group's policy specifies definitions of allowable and non-allowable non-audit services as well as approval limits for non-audit service mandates at the local and Group level. The Group's external auditor tracks non-audit services and reports semi-annually to the Head of Group FAR and the Audit Committee the extent of non-audit services provided worldwide.

Corporate governance report (continued)

Non-audit fees were as follows:

Audit and non-audit fee amounts

in USD millions, as of December 31	2020	2019
Total audit fees	**44.3**	**43.8**
Total non-audit fees	**12.9**	**19.4**
– Tax advice	0.7	1.6
– Audit-related, including MCEV	5.9	4.7
– Other	6.3	13.1

Supervision and control over the external audit process

The Audit Committee regularly meets with the external auditors. During 2020, the Audit Committee met with the external auditors eight times. The external auditors regularly have private sessions with the Audit Committee without management present. Based on written reports, the Audit Committee and the external auditors discuss the quality of the Group's financial and accounting function and any recommendations that the external auditors may have. Topics considered during such discussions include strengthening of internal financial controls, applicable accounting principles and management reporting systems. In connection with the audit, the Audit Committee obtains from the external auditors a timely report relating to the audited financial statements of Zurich Insurance Group Ltd and the Group.

The Audit Committee oversees the work of the external auditors. It reviews, at least annually, the qualification, performance and independence of the external auditors and reviews any matters that may impair their objectivity and independence. The review is based on a written report by the external auditors describing the firm's internal quality control procedures, any material issues raised and all relationships between the external auditors and the Group and/or its employees that could be considered to bear on the external auditors' independence. The Audit Committee evaluates the performance of the external auditors during their audit examination. It elicits the comments of management regarding the auditors' performance (based on criteria such as their understanding of Zurich's business, technical knowledge and expertise, etc.) and the quality of the working relationship (responsiveness of the external auditors to the needs of Zurich Insurance Group Ltd and the Group and the clarity of communication). The Audit Committee reviews, prior to the commencement of the annual audit, the scope and general extent of the external audit and suggests areas requiring special emphasis.

The Audit Committee proposes the external auditors to the Board for appointment by the shareholders and is responsible for approving the audit fees. A proposal for fees for audit services is submitted to management by the external auditors and validated, before it is submitted to the Audit Committee for approval. The proposal is mainly based on an analysis of existing reporting units and expected changes to the legal and operational structure during the year.

The Audit Committee has approved a written policy on the use of external auditors for non-audit services, which sets out the rules for providing such services and related matters (including a list of prohibited services). Allowable non-audit services may include tax advice, comfort and consent letters, certifications and attestations, and due diligence and audit support in proposed transactions, to the extent that such work complies with applicable legal and regulatory requirements and does not compromise the independence or objectivity of the external auditors. To avoid conflicts of interest, all allowable non-audit services need pre-approval from the Audit Committee (Chairman), the Group CFO, the Group Head of Financial Accounting and Reporting or the local CFO, depending on the level of the expected fee. This policy further requires, among other things, an engagement letter specifying the services to be provided.

Group Audit

The Group's internal audit function (Group Audit) is tasked with providing independent and objective assurance to the Board, the Audit Committee, the Group CEO and management and to the boards and audit committees of subsidiary companies. This is accomplished by developing a risk-based plan, which is updated continuously as the risks faced by the business change. The plan is based on the full spectrum of business risks including concerns and issues raised by the Audit Committee, management and other stakeholders. Group Audit executes the plan in accordance with defined operating standards, which incorporate and comply with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors (IIA). Key issues raised by Group Audit are communicated to the responsible management function, the Group CEO and the Audit Committee using a suite of reporting tools.

The Audit Committee, boards and audit committees of subsidiary companies and Group CEO are regularly informed of important audit findings, including adverse opinions, mitigation actions and attention provided by management. Group Audit is responsible for ensuring that issues identified by Group Audit, that could have an impact on the Group's operations are brought to the attention of the Audit Committee and appropriate levels of management and that timely follow-up action occurs. This is supported by the attendance of the Head of Group Audit at each meeting of the Audit Committee. In addition, the Head of Group Audit meets with the Chairman of the Audit Committee each month.

Group Audit is authorized to review all areas of the Group and has unrestricted access to all Group activities, accounts, records, property and personnel necessary to fulfill its duties. In the course of its work, Group Audit takes into consideration the work of other assurance functions. In particular, Group Audit coordinates its activities with the external auditors, sharing risk assessments, work plans, audit reports and updates on audit actions. Group Audit and the external auditors meet regularly at all levels of the organization to optimize assurance provision and efficiency.

The Audit Committee assesses the independence of Group Audit and reviews its activities, plans and organization, the quality of its work and its cooperation with the external auditors. As required by the Institute of Internal Auditors' (IIA) International Standards, the Internal Audit function is quality reviewed at least every five years by an independent qualified assessor. This review was conducted most recently in 2016 and 2017 and reported to the Audit Committee in February 2017. The results confirmed that Group Audit's practices conform to all IIA Standards.

The Audit Committee approves the Group Audit Plan annually, and reviews reports from the function on its activities and significant risk, control and governance issues, at least three times per year. The Head of Group Audit reports functionally to the Chairman of the Audit Committee and administratively to the Group CEO and meets regularly with the Chairman of the Board and the Chairman of the Audit Committee. Group Audit has no operational responsibilities for the areas it reviews and, to ensure independence, all Group Audit staff report (via audit managers) to the Head of Group Audit. In some instances, country audit managers also have a reporting line to the local CEO to comply with regulatory requirements.

Group Compliance

The Group is committed to comply with all applicable laws, regulations and internal requirements, professional and industry standards and its stated corporate values.

Group Compliance is a control function responsible for:

- enabling the business to manage its compliance risks
- being a trusted advisor
- providing independent challenge, monitoring and assurance
- assisting management to promote compliance culture and ethics.

Group Compliance is vertically integrated to support a global framework and it is led by the Group Chief Compliance Officer.

Group Compliance performs its activities according to the Global Annual Compliance Plan and reports on progress against plan, outcomes and insights to management, the Audit Committee of the Board or to the regional and local equivalent body.

Each Annual Compliance Plan (global, regional, local) is a risk-based plan and must be prepared on the basis of an independent forward-looking compliance risk assessment, taking into account both internal and external key risk drivers.

Group Compliance provides an independent compliance view on the key compliance risks to the business and performs independent risk-based monitoring and assurance activities, challenging the business. In addition, it provides compliance risk insight through relevant and targeted reporting.

The Group Chief Compliance Officer defines and issues compliance policies relevant to the Group and establishes appropriate processes and guidance.

Group Compliance supports the embedment of a strong compliance culture across the Group in a changing regulatory environment via training and awareness initiatives.

The Group Chief Compliance Officer reports functionally to the Chairman of the Audit Committee and administratively to the Group CEO, while maintaining functional independence as a second line of defense function and has appropriate access to the Chairman of the Board.

As part of Zurich's commitment to promoting a culture of compliance, Group Compliance establishes and maintains the global reporting mechanism for reporting of concerns. Zurich encourages its employees to speak up and report improper conduct that they believe is illegal, unethical, or violates Zurich's Code of Conduct or our Group's policies. Employees are free to report their concerns to management, Human Resources, the Group's Legal department, its Compliance function, or through the Zurich Ethics Line (or similar service provided locally), a phone and web-based service run by an independent external provider. Zurich does not tolerate retaliation against any employee who reports concerns in good faith.

Stakeholders

Shareholders

Significant shareholders

According to the rules regarding the disclosure of significant shareholdings of Swiss companies listed in Switzerland, it has to be disclosed if certain thresholds starting at 3 percent are reached, exceeded or if the shareholding subsequently falls below those thresholds. Disclosure must be made separately for purchase positions (including shares, long call options and short put options) and sale positions (including long put options and short call options). The percentage thresholds are calculated on the basis of the total amount of voting rights according to the number of shares issued as disclosed in the commercial register.

Zurich Insurance Group Ltd is obliged to announce shareholdings by third parties in its shares upon receipt of a third-party notification that the shareholding has reached, fallen below or exceeded the relevant thresholds prescribed by law. During 2020, the Group received no such notification

As of December 31, 2020, Zurich Insurance Group Ltd was not aware of any person or institution, other than BlackRock, Inc., New York (> 5 percent) and The Capital Group Companies, Inc., Los Angeles (> 5 percent), which, directly or indirectly, had an interest as a beneficial owner in shares, option rights and/or conversion rights relating to shares of Zurich Insurance Group Ltd reaching or exceeding the relevant thresholds prescribed by law.

The announcements related to these notifications can be found via the search facility on the SIX Disclosure Office's platform: www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html.

Zurich Insurance Group Ltd is not aware of any person or institution which, as of December 31, 2020, directly or indirectly, alone or with others, exercised or was a party to any arrangements to exercise control over Zurich Insurance Group Ltd.

Overview of shareholder structure

Number of shares held

as of December 31, 2020	Number of registered shareholders	% of registered share capital
1 – 500	122,699	13.2
501 – 1,000	5,289	4.1
1,001 – 10,000	4,232	10.9
10,001 – 100,000	442	13.1
100,001+	64	58.7
Total registered shares[1]	**132,726**	**100.0**

1 of registered shareholders.

Registered shareholders by type

as of December 31, 2020	Registered shareholders in %	Registered shares in %[1]
Individual shareholders	96.1	26.4
Legal entities	3.8	30.3
Nominees, fiduciaries	0.1	43.3
Total	**100.0**	**100.0**

1 of registered shareholders.

Corporate governance report (continued)

Registered shareholders by geography

as of December 31, 2020	Registered shareholders in %	Registered shares in %[1]
Switzerland	93.5	49.8
UK	0.5	31.4
North America	0.6	10.8
Asia	0.2	0.6
Latin America	0.1	0.0
Rest of the world	5.1	7.4

1 of registered shareholders.

Cross-shareholdings

Zurich Insurance Group Ltd has no interest in any other company exceeding 5 percent of the voting rights of that other company, where such other company has an interest in Zurich Insurance Group Ltd exceeding 5 percent of the voting rights in Zurich Insurance Group Ltd.

Shareholders' participation rights

Voting rights restrictions and representation

Each share entered into the share register entitles the holder to one vote. There are no voting rights restrictions (other than set out under "Limitations on transferability and nominee registrations", see page 89).

A shareholder with voting rights can attend shareholders' meetings of Zurich Insurance Group Ltd in person. He or she may also be represented by his or her legal representative or, as a consequence of the amendment of article 13 of the Articles of Association of Zurich Insurance Group Ltd at the Annual General Meeting held on April 1, 2020, by another person who need not be a shareholder by means of due authorization. Prior to such amendment of the Articles of Association, shareholders with voting rights could authorize, in writing, another shareholder with voting rights or any person permitted under the Articles of Association and a more detailed directive of the Board to represent him or her at the shareholders' meeting and minors or wards could be represented by their legal representatives, married persons by their spouses and a legal entity could be represented by authorized signatories or other authorized representatives, even where such persons were not shareholders.

In accordance with the Ordinance AEC and reflected in article 13 of our Articles of Association, authority of representation may also be given to the independent voting rights representative. The AGM elects the independent voting rights representative. The term of office ends with the conclusion of the next AGM. The independent voting rights representative may be re-elected. The shareholders may give voting instructions to the independent voting rights representative either in writing or via the online platform of Computershare Switzerland Ltd.

Prior to the above-mentioned amendment of the Articles of Association lifting the general restriction that representation is only possible by another shareholder with voting rights (except in the special circumstances outlined above or through the independent voting rights representative), Zurich Insurance Group Ltd could under specific circumstances authorize the beneficial owners of shares legally held by professional persons as nominees (such as a trust company, bank, professional asset manager, clearing organization, investment fund or another entity recognized by Zurich Insurance Group Ltd) to attend shareholders' meetings and exercise votes as proxy of the relevant nominee. For further details, see page 89 of this report.

In accordance with Swiss law and practice, Zurich Insurance Group Ltd generally informs all shareholders at the beginning of the shareholders' meeting of the aggregate number of shares represented by shareholders or their representatives physically attending the meeting and the number of shares represented by the independent voting rights representative. Due to the COVID-19 outbreak, the Swiss Federal Council declared an "extraordinary situation" on March 16, 2020 and issued the Ordinance on the Measures against the Coronavirus (COVID-19), as amended and in force at the time (COVID-19 Ordinance), prohibiting events of the nature of general meetings, generally. At the same time, it allowed companies to impose on their shareholders to exercise their voting rights at general meetings by providing instructions to the independent voting rights representative electronically or in writing. Based on the COVID-19 Ordinance, Zurich Insurance Group Ltd informed its shareholders with voting rights accordingly. The Annual General Meeting of Zurich Insurance Group Ltd on April 1, 2020 took place in accordance with the provisions of the COVID-19 Ordinance. Shareholders could not personally attend but only exercise their voting rights by instructing the independent voting rights representative, who attended the Annual General Meeting, in writing or electronically.

Corporate governance report (continued)

Statutory quora

Pursuant to the Articles of Association (www.zurich.com/en/about-us/corporate-governance/corporate-documents), the AGM constitutes a quorum irrespective of the number of shareholders present and shares represented. Resolutions and elections generally require the approval of an absolute majority of the votes represented, unless respective provisions in the Articles of Association (of which there are currently none) or mandatory legal provisions stipulate otherwise. Article 704 of the Swiss Code of Obligations provides for a two-thirds majority of votes represented and an absolute majority of the nominal value of shares represented for certain important matters, such as a change of the company's purpose or domicile, a dissolution of the company and certain matters relating to capital increases.

Convening of shareholders' meetings

Shareholders' meetings are convened by the Board or, if necessary, by the auditors and other bodies in accordance with the provisions set out in articles 699 and 700 of the Swiss Code of Obligations. Shareholders with voting rights representing at least 10 percent of the share capital may call a shareholders' meeting, indicating the matters to be discussed and the corresponding proposals. The invitation to shareholders is mailed at least 20 calendar days before the meeting is held and, in addition, is published in the Swiss Official Gazette of Commerce.

Agenda

The Board is responsible for setting the agenda and sending it to shareholders. Shareholders with voting rights who together represent shares with a nominal value of at least CHF 10,000 may request in writing, no later than 45 days before the day of the meeting, that specific items be included in the agenda.

Registrations in the share register

With a view to ensuring an orderly process, the Board determines the date on which a shareholder needs to be registered in the share register in order to exercise their participation rights by attending the shareholders' meeting. That date is published, together with the invitation to the shareholders' meeting, in the Swiss Official Gazette of Commerce.

Information Policy

As of December 31, 2020, Zurich Insurance Group Ltd had 132,726 shareholders registered in its share register, ranging from private individuals to large institutional investors. Each registered shareholder receives an invitation to a shareholders' meeting. A Letter to Shareholders provides an overview of the Group's activities as the year progresses and outlines its financial performance (www.zurich.com/en/investor-relations/shareholder-area/letter-to-shareholders). A more comprehensive Annual Report and half-year reports are available on Zurich's website. Information on the Group's updates for the first three months and first nine months is also available on Zurich's website (www.zurich.com/en/investor-relations/results-and-reports). News Releases are distributed in accordance with the Directive on Ad hoc Publicity and are available on Zurich's website www.zurich.com (www.zurich.com/en/media).

In order to engage with our shareholders and investors, a Corporate Governance Roadshow takes place on an annual basis. This year's roadshow focused on corporate governance, sustainability and the alignment of our remuneration architecture with strategy. It took place in November 2020 (www.zurich.com/en/investor-relations/presentations).

For addresses, see the information on page 329 and for further upcoming important dates, see the investor section starting on page 34 (financial calendar on page 35).

Corporate governance report (continued)

Employees

Work sustainability

One year ago, we shared our work sustainability principles, intrinsically linked to the aim of ensuring sustainable careers. These principles are a fundamental part of us preparing for the future of work and being able to put customer needs at the heart of everything we do. They include:

- developing our employees for new job opportunities rather than hiring externally,
- prioritizing our in-house local skills over outsourcing solutions and
- offering career choices that match the employees' talents and ambitions and meet the market needs of today and tomorrow.

As we put our work sustainability principles into practice, and continue to put our people first, we will create a brighter future for our customers and communities. This is our opportunity to reach our full potential, individually and as one Zurich team.

2020 has been an unprecedented year for everyone and had in particular a great impact on our way of working, fundamentally changing the way we collaborate. Our work sustainability commitment intends to support our employees navigating the changing nature of work by offering innovative solutions and adapting our own people practices, focusing on reskilling, promoting from within, life-long learning, and wellbeing. Achievements in 2020:

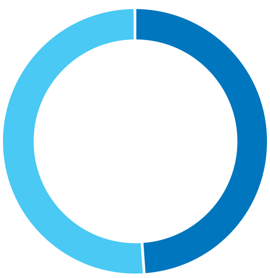
- We prioritized the safety and wellbeing of our employees during COVID-19 pandemic. They felt well supported, as is reflected by our record Employee Net Promoter System (ENPS) score and its highest point increase ever.
- We also increased internal talent mobility as a means of filling vacant positions and addressing priority work, aligning internal talent to where it is most needed.
- We shifted Talent Management from 'buy' to 'build', increasing the positions filled internally to 53 percent in 2020 from 45 percent in 2019.
- We cultivated an employee-driven culture of reskilling for future needs e.g., by launching our upgraded global learning platform, providing access to digital learning content from LinkedIn Learning and Technical Academies.
- We expanded apprenticeship opportunities and other forms of work-based learning focused on diverse, multigeneration candidates.

Diversity & Inclusion

The Group has continued progress in promoting a truly diverse and inclusive work environment, and we have received worldwide recognition for this (e.g., Bloomberg Gender Equality Index, Stonewall's Top Global Employer's Index, Forbes 2020 list of America's Best Employers for Diversity, see www.zurich.com/en/careers/our-people#external-recognition). The Group is committed to providing equal opportunities when recruiting and promoting people, whereby ability, experience, skills, knowledge, integrity and diversity are guiding principles.

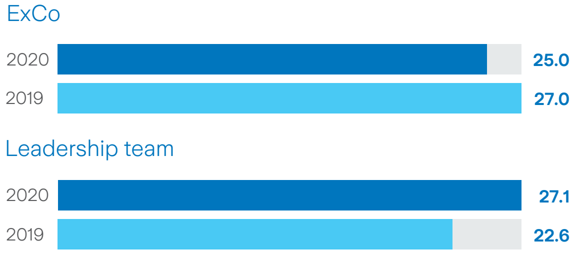
Zurich employs more than 55,000 people with over 120 different nationalities. In addition, we are diverse in terms of cultures, race/ethnicity, generations, gender, sexual orientation, gender identity, individual abilities and many other characteristics.

Employees by gender
% 2020



Male	49
Female	51

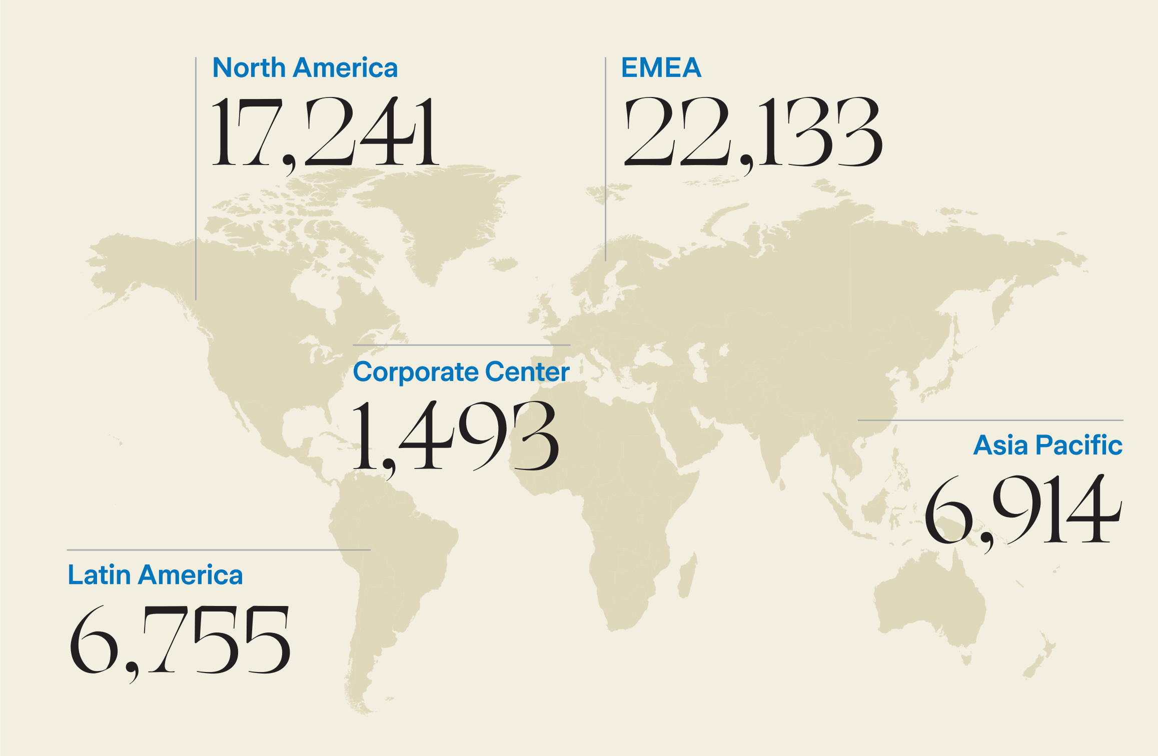
Female representation
%



Corporate governance report (continued)

Our organizational footprint[1]

Number of people



Nationalities	Average Tenure[2]	Average Turnover[3]	Boomer[4]	Gen X[4]	Gen Y[4]
114	10	9.6%	15%	42%	43%

1 Excluding Cover-More, Brightbox and parts of Germany.
2 Average tenure as per 31.12.2020.
3 Annualized turnover in 2020.
4 Boomer, <1964; Gen X, 1965–1979; Gen Y, 1980–1994.

Our employees are the heart and soul of Zurich and together we are committed to delivering on our purpose – Create a Brighter Future Together. A brighter future where our voices are diverse, our behaviors are inclusive, our actions drive equity, and our people feel a sense of belonging. Recent efforts to improve employee engagement have resulted in a strong improvement in ENPS and in our OHI (Organizational Health Index) survey conducted in 2020.

The Group actively encourages employee involvement in its activities through publications, team briefings and regular meetings with employees' representatives. The Group is also part of an agreement with employee representatives of the Group's companies in Europe. For further information on the Group's people management activities, see pages 32 and 33 of the Annual Report. In some countries, the Group has established broad-based employee share compensation and incentive plans to encourage employees to become shareholders of the Group.

Customers

Our customers are at the center of all our activities and thinking. Society is facing increasingly interconnected and complex environmental, social and governance challenges. The insurance industry must play its role in addressing these challenges as a manager of risk. That is why we work with our corporate customers and brokers to better manage sustainability risks and strive to promote international best practice standards that help ensure potentially adverse social, environmental and economic impacts are adequately managed.

As an insurer, we systematically identify sustainability risks and deliver solutions that can enhance the social and environmental impact of our customer. We will continue working with customers to better manage climate risks by providing coverage for new technologies and infrastructure, such as electric vehicles, renewable energy or carbon capture and storage.

Corporate governance report (continued)

With the ambition to become one of the world's most environmentally responsible and impactful businesses, Zurich is committed to producing sustainable value for our customers. We will use our expertise, experience and global reach to help our customers enhance their resilience and intensify their focus on the green agenda by highlighting the risks associated with climate change and the opportunities of a 1.5°C future.

We work continuously to develop relevant products and solutions for customers that have a positive social and environmental impact, and support well-being, enhance resilience and facilitate the transition to a low-carbon economy. Some of the ways we have achieved this recently include:

ESG in insurance – specific solutions with sustainable impact

Examples of Zurich's environmental, social and governance (ESG) products around the world

	Resource efficiency	
1	Better Green construction insurance	USA/EMEA/Canada
2	Builders Risk Green Building	USA/Canada
	Severe weather	
3	Construction Weather Parametric Insurance	USA
	Financial inclusion	
4	Blue Marble MicroInsurance[1]	Latin America/Africa
5	Income and health insurance	Brazil[2]
	ESG-aligned investing	
6	Personal savings products and pension funds	Germany/Austria/Brazil[2]
	Mobility	
7	Electric car insurance and services	EMEA & global commercial fleets
8	Personal mobility – bikes, e-bikes and e-scooters	Austria/Switzerland/Spain
9	Motor usage-based insurance	UK

	Renewable energy	
10	Property, construction, casualty insurance	Available globally
11	Geothermal and heat pump insurance	Switzerland
	Risk tool	
12	Natural Hazards Radar	Switzerland
	Environmental impact	
13	Carbon Capture and Sequestration insurance	USA
14	Climate Change Resilience Services	Available globally
15	Geological Sequestration Financial Assurance	North America
16	Zurich Environmental Emergency Response	North America

1 Zurich Insurance Group is one of the founding members of Blue Marble Microinsurance, a consortium of eight companies collaborating to innovate solutions that protect the underserved.
2 Zurich Santander Insurance America.

Corporate governance report (continued)

We integrate our commitment to sustainability and the UN Global Compact into our underwriting and business decisions. We believe in the value of engaging with customers to understand their business and operations and working together with them to ensure they have responsible and sustainable business practices in place. This enables us to make better-informed decisions on how we can support customers in developing best practice in areas of ESG (www.zurich.com/en/sustainability/our-customers/esg-integration-in-insurance).

Communities – our role in society

Insurance creates value for society by allowing people and businesses to protect themselves from risk and helping them become – and remain – prosperous and resilient. Risks are becoming more complex and interconnected as a result of issues like climate change, globalization, urbanization and technological development. Insurers are increasingly expected to use their core skills to help communities and society become more resilient to these interconnected risks. In order to enhance communities' resilience, we engage in the following activities using our core skills.

We help our communities become more resilient to flooding through the Zurich Flood Resilience Alliance (the Alliance), a multi-sector, global partnership funded by the Z Zurich Foundation (the Foundation). The Alliance aims to lessen the impact of floods and allow communities to thrive. The Group is one of the key contributors of the Alliance.

- It collaborates actively with other members to reach the Alliance's ambitious goals around increasing investment from others going to pre-event resilience and climate action by USD 1 billion by the end of the Zurich Flood Resilience Program. In 2020, the Foundation pledged additional investment in community programming, such that it may reach up to 4 million people overall by the end of 2024.
- Building on its expertise and knowledge as an insurer, Zurich also contributes to the award-winning post-event review capability (PERC) – comprising research and independent reviews of large flood events to identify best practices and opportunities based on understanding how a hazard event becomes a disaster and how resilience can be achieved.
- Pursuing an ambitious policy agenda at global, regional and select national levels to advocate for the importance of financing and acting on climate change adaptation in addition to climate change mitigation, and to shift the focus from post-event recovery to pre-event risk reduction and resilience building through our public policy teams.
- Zurich employees volunteer their relevant skills and expertise (for example flood/hydrological expertise and risk engineering skills) as well as local project management where available.

Together with the other members of the Zurich Flood Resilience Alliance, we continued to help communities reduce flood risk and continued our charitable investment in community programs and many business hours were volunteered by our employees. The Z Zurich Foundation supports additional flood resilience efforts through donations. For further information, see pages 49 to 50 in Zurich's Sustainability report (www.zurich.com/en/sustainability/reporting-and-news/reports-publications) and pages 38 and 39 of the Annual Report.

Capital structure

Share capital

As of December 31, 2020, the ordinary share capital of Zurich Insurance Group Ltd amounted to CHF 15,046,016.70 divided into 150,460,167 fully paid registered shares with a nominal value of CHF 0.10 each. The Board will propose to the shareholders at the Annual General Meeting on April 7, 2021 a dividend of CHF 20 per share. It is planned that the dividend will be paid out of the available earnings with a deduction of 35 percent Swiss withholding tax.

Authorized and contingent share capital as of December 31, 2020

On April 1, 2020, the Annual General Meeting approved a renewal of the authorized share capital for another two years (from April 2020 to April 1, 2022) and other changes to the authorized share capital, which are set out below.

Until and including April 1, 2022, the Board of Zurich Insurance Group Ltd is authorized to increase the share capital by an amount not exceeding CHF 4,488,240 (prior to April, 2020, 4,500,000) by issuing up to 44,882,400 (prior to April, 2020, 45,000,000) fully paid registered shares with a nominal value of CHF 0.10 each (art. 5bis). This authorized share capital corresponds to about 30 percent of the total registered shares issued as of December 31, 2020. Share issuances from authorized share capital where the shareholders' subscription rights are restricted or excluded are limited to 14,960,800 (prior to April 2020, 15,000,000) shares (i.e., about 10 percent of the total registered shares issued as of December 31, 2020).

The share capital of Zurich Insurance Group Ltd may be increased by an amount not exceeding CHF 2,992,160 (prior to April 2020, 3,000,000) by issuing of up to 29,921,600 (prior to April 2020, 30,000,000) fully paid registered shares with a nominal value of CHF 0.10 each by the voluntary or mandatory exercise of conversion and/or option rights, which are granted in connection with the issuance of loans, bonds, similar debt instruments, equity-linked instruments or other financial market instruments (collectively, the 'financial instruments') by Zurich Insurance Group Ltd or one of its Group companies, or by mandatory conversion of financial instruments issued by Zurich Insurance Group Ltd or one of its Group companies, that allow for contingent mandatory conversion into shares of Zurich Insurance Group Ltd, or by exercising option rights which are granted to the shareholders (art. 5ter 1a). This contingent share capital corresponds to about 20 percent of the total registered shares issued as of December 31, 2020.

Until and including April 1, 2022, the total number of new shares which could be issued from (i) authorized share capital under art. 5bis 4 where the subscription rights are restricted or excluded and (ii) contingent share capital in connection with financial instruments under art. 5ter 1 where the advance subscription rights are restricted or excluded is limited to 14,960,800 (prior to April 2020, 15,000,000) shares (i.e., about 10 percent of the total registered shares issued as of December 31, 2020).

Moreover, there is an additional contingent share capital (art. 5ter 2a) of CHF 409,509.20, representing 4,095,092 fully paid registered shares with a nominal value of CHF 0.10 each, which may be issued to employees of Zurich Insurance Group Ltd or one of its Group companies. For further information on the capital structure and the authorized and contingent share capital, see the audited consolidated financial statements, note 19 on pages 255 to 257. This contingent share capital compares to about 2.7 percent of the current total registered shares issued as of December 31, 2020.

For further information please see article 5bis and 5ter of the Articles of Association, as published under the following link: www.zurich.com/IR-articles-of-association.

Changes to share capital

Summary of changes in the ordinary share capital over the last two years

	Share capital in CHF	Number of shares	Nominal value in CHF
As of December 31, 2018	15,134,802.70	151,348,027	0.10
Newly issued shares from contingent capital	0.00	–	0.10
Capital reduction June 2019	174,000	1,740,000	0.10
As of December 31, 2019	14,960,802.70	149,608,027	0.10
Newly issued shares from contingent capital	85,214.00	852,140	
As of December 31, 2020	15,046,016.70	150,460,167	0.10

For information on changes of share capital during 2018, see the Annual Report 2018 of Zurich Insurance Group, pages 39 to 40 and pages 225 to 226 (www.zurich.com/en/investor-relations/results-and-reports).

Corporate governance report (continued)

Shares and participation certificates

Zurich Insurance Group Ltd's shares are registered shares with a nominal value of CHF 0.10 each. The shares are fully paid in. Pursuant to article 14 of the Articles of Association (www.zurich.com/IR-articles-of-association), each share carries one vote at shareholders' meetings, entitles all shareholders to dividend payments (excluding treasury shares) and the registered holder to exercise all other membership rights in respect of that share.

Some interests in shares are held by investors in the form of American Depositary Receipts (ADRs)[1]. As of December 31, 2020, investors held 24'623'760 ADRs (representing 2'462'376 Zurich Insurance Group Ltd shares).

Profit-sharing certificates

Zurich Insurance Group Ltd has not issued any profit-sharing certificates.

Limitations on transferability and nominee registrations

The Articles of Association do not provide for any limitations on transferability except for the following:

Registration as a shareholder requires a declaration that the shareholder has acquired the shares in his or her own name and for his or her own account. Nominees holding Zurich Insurance Group Ltd shares may for the benefit of, or as nominee for another person, be registered for up to 200,000 shares with voting rights, notwithstanding that the nominee does not disclose the identity of the beneficial owner. A nominee, however, is entitled to be registered as a shareholder with voting rights of more than 200,000 shares if the nominee discloses the identity of each beneficial owner and informs the beneficial owners about corporate actions, consults as to the exercise of voting rights and pre-emptive rights, transfers dividends and acts in the interests of and in accordance with the instructions of the beneficial owner.

There are special provisions relating to the registration and exercise of rights attached to shares by The Bank of New York Mellon Corporation in connection with the Zurich Insurance Group Ltd ADR program.

Convertible bonds and options

Zurich Insurance Group Ltd had no public convertibles or options outstanding as of December 31, 2020. For information on employee share plans, see the audited consolidated financial statements, note 21 on pages 266 to 267.

1 Zurich Insurance Group Ltd has established an American Depositary Share, or ADS, level 1 program in the U.S. Under this program, The Bank of New York Mellon Corporation issues the ADSs. Each ADS represents the right to receive one-tenth of one share of Zurich Insurance Group Ltd. Each ADS also represents securities, cash or other property deposited with The Bank of New York Mellon Corporation but not distributed to ADS holders. Zurich's ADSs are traded over the counter (OTC) and are evidenced by American Depositary Receipts, or ADRs. Since July 1, 2010, Zurich's ADRs have been traded on "OTCQX", an electronic platform operated by OTC Markets Group Inc. under the symbol ZURVY. ADS holders are not treated as shareholders of Zurich Insurance Group Ltd and are not able to directly enforce or exercise shareholder rights. Only The Bank of New York Mellon Corporation as Depositary of the level 1 program may exercise voting rights with respect to instructions received from beneficial owners of ADRs.

Changes of control and defense measures

Duty to make an offer

The Articles of Association of Zurich Insurance Group Ltd do not provide for opting out or opting up in the meaning of articles 125 and 135 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading. Therefore, mandatory offers have to be submitted when a shareholder or a group of shareholders acting in concert exceed 33 1⁄3 percent ownership of the issued and outstanding share capital of Zurich Insurance Group Ltd.

Clauses on changes of control

Employment agreements have been entered into with members of the ExCo, setting out the terms and conditions on which they are employed. The longest notice period for members of the ExCo is 12 months. No other benefits are provided in the case of a change of control.

The Group's share-based compensation programs include regulations regarding the impact of a change of control. These regulations provide that in the case of a change of control, the plan administrator (the Remuneration Committee or the Group CEO, as applicable) has the right to roll over the existing share obligations into new share rights or to provide consideration for such obligations that are not rolled over. Participants who lose their employment as a result of a change of control have the right to the vesting of share obligations. No other benefits are provided to members of the ExCo in case of a change of control. No benefits are provided for the members of the Board in case of a change of control.

Risk management and internal control framework

For information regarding the Group's risk management and internal control framework, see the risk review of this Annual Report 2020 on pages 128 to 158. The Group no longer separately describes risk management and internal control information in this governance report.

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Rewarding better outcomes for all.

> The interests of Zurich's key stakeholders such as customers, shareholders and employees are reflected in our incentive plan design.

Christoph Franz
Chairman of the Remuneration Committee

Message from our Chairman of the Remuneration Committee (continued)

Dear Shareholder

Despite the uncertainty in 2020 given the pandemic, the predefined metrics and targets of the Group's short-term and long-term incentive plans (STIP and LTIP) were not adjusted. The variable remuneration outcomes outlined in this report therefore, reflect the performance achievements against the initial targets set.

With a business operating profit (BOP) of USD 4.2 billion, compared with USD 5.3 billion in 2019, the Group's results demonstrated strong performance against the backdrop of a global pandemic and elevated natural catastrophes. Customer satisfaction, as measured by the net promoter system (NPS) score, saw an overall increase, reflecting the Group's quick response to support customers through the impacts of COVID-19.

Supporting strategy execution

In addition to profitability metrics, customer experience as measured by the NPS score, was relevant in determining the funding available for STIP awards for close to 90 percent of participants in 2020. This has grown from prior years and confirms the continuing importance of improving the experience of our customers.

For the 2020 STIP awards, members of Zurich's Executive Committee (ExCo) had their performance assessed against individual objectives related to financial measures, customers, employees and other accountabilities aligned with the Group's strategy.

Additional accountabilities, where relevant, included objectives supporting the Group's commitment to sustainability, such as tackling climate change, enabling confidence in a digital society, and supporting employees and customers when it comes to the changing nature of work.

In the ExCo section of this report, you can see that we have provided more information on how individual performance is assessed for the ExCo.

Looking ahead

We will continue to review Zurich's remuneration approach ensuring it rewards the commitment and focus of employees on the positive direction of the Group.

Details on the upcoming remuneration votes of the Board and of the ExCo, are newly included in the invitation to the Annual General Meeting 2021 (www.zurich.com/investor-relations/shareholder-area/annual-general-meeting), and information on the amounts previously approved can be found in the relevant Board and ExCo sections of this report.

We welcome your ongoing feedback. Thank you for your support and engagement.

Christoph Franz

Christoph Franz
Chairman of the Remuneration Committee

Our remuneration framework considers the interests of all our stakeholders

Zurich's remuneration framework is regularly reviewed to ensure it complies with regulatory requirements, supports our strategic objectives and incentivizes the right behaviors.

Short-term incentive plan (STIP)

97%

The overall STIP awarded as a percentage of target, considering relevant business and individual performance for 2020 (2019: 109%).

Read more:
Pages 101–102

Long-term incentive plan (LTIP)

189%

Vesting level in 2021 as a percentage of target based on the actual achievements of the predefined metrics for the performance period 2018 to 2020 (2020: 178%).

Read more:
Pages 103–105

Total variable remuneration

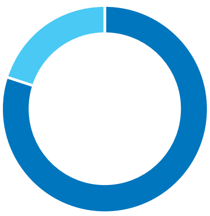
CHF 650m

The aggregate amount of variable remuneration for 2020 for the entire Group considering the Group's long-term economic performance (USD: 719m) (2019: CHF 697m/USD 716m).

Read more:
Page 96

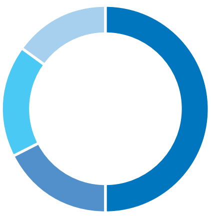
STIP metrics for the ExCo

Business performance



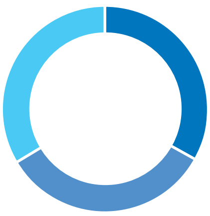
Group BOP	80%
Overall customer NPS	20%

Individual performance



Financial measures supporting strategy execution	~50%
Customers	15-20%
Employees	15-20%
Strategic projects and accountabilities incl. ESG	10-20%

Performance metrics for the LTIP



Relative total shareholder return (TSR)	1/3
Net income attributable to shareholders' return on common shareholders' equity (NIAS ROE)	1/3
Cash remittance	1/3

Remuneration safeguards

- Emphasis on longer-term, deferred remuneration for the most senior positions and Group key risk takers.
- Risk-based performance assessment for ExCo, leadership team and Group key risk takers.
- Ability to apply risk adjustments and exercise malus (all participants) and clawback (ExCo and some additional participants) for variable remuneration.
- Minimum share ownership requirements for the Board, Group CEO and other members of the ExCo.

Remuneration report

Contents

Remuneration report (continued)

Remuneration summary 2020

This summary provides an overview of the 2020 remuneration of Zurich Insurance Group Ltd and its affiliates (Group or Zurich), including the link between business performance and variable pay decisions for 2020.

Zurich's remuneration

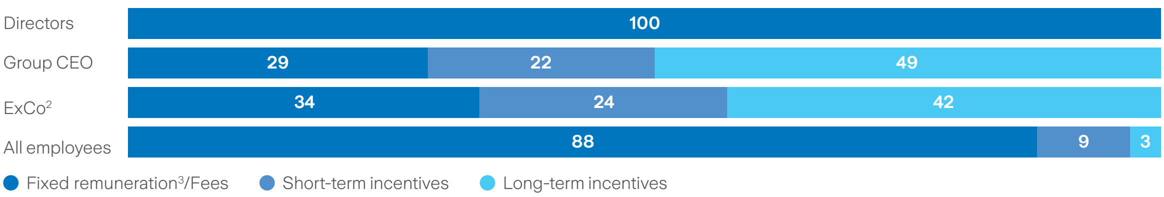
Zurich operates a remuneration system which aims to provide competitive total remuneration opportunities and variable remuneration awards based on results achieved and positive outcomes for all stakeholders. The remuneration system is embedded in the Group's risk management framework and is designed to not encourage or reward inappropriate risk-taking.

The members of the Board receive fixed remuneration as an annual fee, of which the basic fee is paid half in cash and half in five-year sales-restricted shares which are not subject to the achievement of any specific performance conditions. Total remuneration for employees, including members of the Executive Committee (ExCo), comprises as applicable, fixed remuneration consisting of base salaries, pensions and employee benefits, as well as variable remuneration consisting of short- and long-term incentive awards. The Group's short-term incentive plan (STIP) and long-term incentive plan (LTIP) aim to align the remuneration architecture with the achievement of the Group's key financial and strategic targets, the risk management framework and operational plans, while considering the interests of key stakeholders.

Read more:
Pages 99–105

The illustration below shows there is a greater emphasis on variable remuneration elements, with a higher weighting on average towards the long term, for our most senior employees.

2020 remuneration structure[1]
%



1 At target, as a percentage of total remuneration.
2 Considering all members of the ExCo that were active for the full year, including the Group CEO.
3 Fixed remuneration includes base salaries, service costs for pension benefits and other remuneration.

Remuneration report (continued)

2020 remuneration in light of the business results

Expenditure on remuneration is considered in the context of Zurich's overall revenues, capital base and profitability. The key financial figures for 2020 compared with 2019 are shown in the following table.

Key financial figures

in USD millions, for the years ended December 31	2020	2019
Gross written premiums and fees[1]	54,258	54,305
Business operating profit (BOP)	4,241	5,302
Net income attributable to shareholders (NIAS)	3,834	4,147
Shareholders' equity	38,278	35,004
Return on common shareholders' equity (ROE)	13.0%	14.4%
Dividends paid to shareholders[2]	3,080	2,819
Total variable remuneration for all employees gross before tax[3]	719	716
– as a percentage of gross written premiums and fees	1%	1%
– as a percentage of shareholders' equity	2%	2%
– as a percentage of dividends paid to shareholders	23%	25%

1 Consists of USD 50,555 million gross written premiums and policy fees, as well as USD 3,703 million Farmers management fees and other related revenues in 2020. Farmers Group, Inc., a wholly owned subsidiary of Zurich Insurance Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services. The Farmers Exchanges are owned by their policyholders.
2 Dividend at transaction day exchange rate in 2020 and 2019, respectively.
3 The corresponding amount of total variable remuneration in Swiss francs is CHF 650m for 2020 and CHF 697m for 2019.

As can be seen from the metrics in the table, relative to Zurich's overall revenue and shareholders' equity, expenditure on variable remuneration remains relatively small.

The total variable remuneration, amounting to CHF 650 million, includes the following elements:

- The total expenditure on cash incentives to be paid for the performance year comprising the amount of the aggregated funding pools under the STIP, and the amounts to be paid under local short-term incentive plans.
- The value of the target share allocations made in 2020 on the assumption that the allocations will vest at 100 percent of the target level in 2023 for performance over the three years 2020, 2021 and 2022.
- The total amount of sign-on payments[1] committed in 2020, regardless of when the payments are due, for people taking up their employment in 2020.
- The total amount of severance payments[2] committed in 2020, regardless of when the payments are due.

Commission payments made to employed sales agents are not included in the total variable remuneration amount.

In determining the amount of the total variable remuneration for all employees, the Board considers the long-term economic performance of the Group as well as other relevant factors. The average economic profit is calculated by subtracting the required return on economic capital, based on the weighted average cost of capital, from the adjusted BOP (the amount before interest and variable remuneration) after tax. In this respect, the Group has continued to generate economic profit over the long term which exceeds the actual expenditure on variable pay.

The following table provides details on the overall STIP awarded and the LTIP vesting level in relation to the performance achievements under each plan. More information on the Group's variable remuneration plans can be found in the remuneration framework section later in this report.

1 Zurich defines sign-on payments as payments that are agreed on the execution of an employment contract (whether paid immediately or over time). Sign-on payments may include compensation made prior to a person joining the company and providing any services (payments in advance) or compensation for benefits foregone with a previous employer (replacement payments). Payments in advance are not paid to members of the Board or the ExCo.
2 Zurich defines severance payments as payments that are provided in connection with the termination of an employment relationship. Zurich does not include under the term severance payments, garden leave or similar payments for employees in jurisdictions where such payments are required by applicable law, or where they are based on contractual notice periods which conform with recognized market practice, or where they are non-contractual, but in line with recognized market practice. Zurich does include garden leave or similar payments however, that go beyond recognized market practice, irrespective of whether these are provided pursuant to an agreement or are ex gratia. Severance payments are not paid to members of the Board or the ExCo.

Remuneration report (continued)

Variable remuneration outcomes

Short-term incentive plan	Overall STIP awarded as a percentage of target 2020	2019
Context		
The primary measures driving STIP funding for 2020 were: – the relevant BOP or other profitability metric achievements and, – the relevant customer satisfaction achievements using the net promoter system (NPS) score where applicable. The overall STIP awarded for plan participants across the Group (around 39,000 employees) is a reflection of the relevant performance achievements against plan for 2020, including a qualitative assessment of the results, as well as individual performance on personal objectives and behavior in line with Zurich's values and code of conduct.	97%	109%

Long-term incentive plan	Vesting level as a percentage of target in 2021	2020
Context		
The key factors driving the vesting level in 2021, for the three-year performance period from 2018 to 2020, were the Group's: – relative TSR against an international peer group of insurance companies, – NIAS ROE and – cash remittance. Each performance criteria has an equal weighting and no discretionary adjustment was made to the vesting level which was calculated based on the achievements of the predefined performance criteria.	189%	178%

For 2020, the remuneration amounts were as follows:

Remuneration amounts

in CHF millions, for the years ended December 31	Fixed remuneration/ Fees[1]	Variable remuneration Short-term incentives[2]	Variable remuneration Long-term incentives[3]	Total remuneration 2020[4]	Total remuneration 2019[4]
Directors	5.4	–	–	5.4	4.7
ExCo	15.1	13.5	19.6	48.2	48.8
All employees[5]	5,012	505	145	5,662	5,638

1 For ExCo and all employees, fixed remuneration includes base salaries, service costs for pension benefits and other remuneration. For Directors, the amount includes payments in cash and in sales-restricted shares.
2 The cash incentives earned for the year for all employees comprise the amounts under STIP and other local incentive plans which are subject to approval by the applicable local boards. For all employees, payments such as sign-on and severance payments in cash are also included.
3 Represents the value of the target performance share allocations made in 2020, which assumes vesting in 2023 at 100 percent of target, and for all employees, also includes any other target share allocations such as sign-on payments in shares.
4 Actual, gross and for cash amounts based on the accrual principle.
5 Includes the remuneration for members of the ExCo.

Remuneration report (continued)

COVID-19

No changes were made to the performance metrics and targets of Zurich's variable incentive plans for 2020. Certain actions were undertaken however, to support employees globally or in certain markets as needed. Some examples include:

- Large scale and rapid implementation of remote working supported by provision or contribution towards IT equipment and furniture for home office set ups, as well as deployment of tools for virtual collaboration and connectivity.
- Flexible working arrangements and online wellbeing sessions focusing on mental, physical and financial health.
- Additional guidance and training for managers to support them in successfully managing their team through the COVID-19 environment.
- Global hospitalization benefit for Zurich employees worldwide, as well as their household family members offering financial support if hospitalized due to COVID-19.
- Provision or contribution towards personal protective items such as masks and sanitizers.
- Health screening and flu vaccinations.
- One-off special payment to be made in 2021, equal to one week base salary, for approximately 30 percent of employees in the lowest career levels across the Group.

Outlook summary for 2021

- **ESG metrics in incentives:** In addition to the environmental, social and governance (ESG) factors currently integrated in the remuneration framework, developments in this area will continue to be monitored.

  Read more:
  Page 123

- **Board:** Following the adjustments to the Board fee structure communicated in the prior year's remuneration report and applicable as of the Annual General Meeting (AGM) in 2020, there are no further changes proposed.

  Read more:
  Pages 109–113

- **ExCo:** No changes are proposed to the overall structure of remuneration for the ExCo in 2021. Relevant individual performance targets for 2021 are set in line with the framework outlined in this report, supporting the execution of the strategy and including risk and behavior aspects.

  Read more:
  Pages 113–120

Remuneration report (continued)

Remuneration framework

Philosophy

The remuneration philosophy is an integral part of the overall employment offering to employees. Based on established remuneration principles, the Group operates a balanced and effectively managed remuneration system that provides competitive total remuneration opportunities to attract, retain, motivate and reward employees. The remuneration system and practices are embedded in the Group's risk management framework and consider legal and regulatory requirements, as well as market developments.

Guiding principles of the remuneration philosophy

The guiding principles of the remuneration philosophy as set out in Zurich's Remuneration Rules are as follows:

- The remuneration architecture is simple, transparent, can be put into practice and considers the interests of key stakeholders such as customers, shareholders and employees.
- Remuneration is tied to long-term results for individuals who have a material impact on the Group's risk profile.
- The structure and level of total remuneration are aligned with the Group's risk policies and risk-taking capacity.
- Expected performance is clearly defined through a structured system of performance management and this is used to support remuneration decisions.
- Variable remuneration awards are linked to key performance factors which can include performance of the Group, countries, business units, functions, as well as individual achievements.
- The Group's STIP and LTIP, used for variable remuneration, are linked to appropriate performance criteria and the overall expenditure on variable pay is considered in connection with the Group's long-term economic performance.
- The structure of the LTIP links remuneration with the future development of performance and risk by including features for deferred remuneration.
- Employees are provided with a range of benefits based on local market practices.
- Reward decisions are made on the basis of merit – performance, skills, experience, qualifications and potential – and are free from discrimination toward or against particular diverse backgrounds. The remuneration system and practices ensure all employees have equal opportunities.

Elements of remuneration

Total remuneration

Total remuneration for an individual employee and its composition may be influenced by factors including the scope and complexity of the role, level of responsibility, risk exposure, business performance and affordability, individual performance, professional experience, internal relativities, external competitiveness, geographic location and legal requirements. Remuneration is benchmarked towards median levels in clearly defined markets which can be local, regional or global, and reflects practices in either insurance, financial services or general industry, depending on the role.

Remuneration report (continued)

Remuneration elements

	Fixed remuneration		Variable remuneration	
	Base salary	Pensions and employee benefits	Short-term incentives	Long-term incentives
Description	Fixed pay for the role performed to attract and retain employees. It is reviewed annually.	Employee benefits are provided to attract and retain employees, are in line with market practices and targeted toward the market median.	Discretionary incentive awards to reward achievement of key business and individual objectives during the year.	Annual target share allocations, subject to vesting in accordance with predefined performance criteria. Designed to support Zurich's longer-term goals, encourage participants to operate the business in a sustainable manner and align the Group's long-term interests with those of shareholders.
Drivers and/or performance metrics	Scope and complexity of the role, level of responsibility, professional experience and geographic location.	Market practice	Award is driven by: – The relevant business profitability achievements, as well as customer experience where applicable. – Individual performance on personal objectives and behavior in line with Zurich's values.	Vesting is determined based on (i) the position of the TSR compared with an international peer group of insurance companies derived from the Dow Jones Insurance Titans 30 Index, (ii) the NIAS ROE and (iii) cash remittance.
Duration	n.a.	n.a.	1 year	3–6 years (target shares subject to three-year cliff vesting and for the ExCo half of the vested shares are sales-restricted for an additional three years)
Range of opportunity	Generally paid within an 80–120 percent range around the relevant market median.	n.a.	Award of 0 to 200 percent of an individual's target amount.	Vesting level of 0–200 percent of an individual's target shares and dividend equivalent target shares.
Eligibility	All employees	Country specific	Country specific (around 39,000 plan participants in 2020)	Members of the ExCo and a defined group of the most senior positions, including key risk takers.
Delivery	Fixed cash	Country-specific fixed benefits	Performance-based cash	Performance-based shares
Clawback, malus and hedging	n.a.	n.a.	Clawback framework established for members of the ExCo, and in some jurisdictions for additional STIP participants, to allow for recovery, forfeiture and/or clawback, subject to specific conditions. Malus conditions to reduce or eliminate awards applicable to all STIP participants.	Clawback framework established for members of the ExCo, and in some jurisdictions for additional LTIP participants, to allow for recovery, forfeiture and/or clawback, subject to specific conditions. Malus conditions to reduce or eliminate awards applicable to all LTIP participants. Individual hedging of share-based remuneration is prohibited.

Remuneration report (continued)

Fixed remuneration

In addition to base salaries, the Group provides a range of pension benefits to employees, which are designed to reflect local market practices. Benefit levels are targeted toward the relevant market median. The Group Pensions Committee provides oversight and a point of focus and coordination at Group level in relation to the long-term financial and operational risk and governance relating to the Group's pension arrangements. In recent years, there has been a significant shift away from final salary defined benefit pension arrangements such that almost all new employees are now enrolled in defined contribution and/or cash balance type arrangements.

The Group also provides a range of other relevant employee benefits in line with the local market, for example life insurance, medical coverage and flexible benefits. Further, the Group operates several mobility-related policies to facilitate the movement of people across the organization.

Variable remuneration

Incentive plans are designed to provide a range of award opportunities linked to levels of performance. Business and individual performance may result in remuneration levels above target for superior performance, and reduced levels that are below target for performance below expectations. Variable remuneration opportunities are provided to motivate employees to achieve key short-term and long-term business goals that support the execution of the Group's strategy. Further information on the Group's STIP and LTIP are set out below.

Short-term incentives

Short-term (one-year) incentives are performance-driven based on the following design for 2020:

Short-term incentives support employees to focus their performance on the achievement of key financial, customer and individual objectives set at the beginning of the year. They are delivered primarily through the Group's STIP which is utilized across the organization and in many countries covers all employees. In some countries, based on market practice in that location, only the most senior individuals participate. Determination of the final individual STIP award for the year ending December 31, 2020, is based on an individual's STIP target amount, the performance of the business and an individual's personal achievements as set out in the overview on the next page. Markets also have the option to base the award solely on an individual's STIP target amount and the STIP pool achievement level for employees below a certain job level.

Remuneration report (continued)

STIP target

STIP participants have a STIP target amount established for the performance year at a maximum of 100 percent of base salary, unless otherwise approved by the Board.

STIP pool achievement based on business performance

Key financial and customer metrics determine the STIP pool achievement level

Business performance, including a qualitative assessment of performance, determines the STIP pool achievement level and the respective funding or allowable spend available for each STIP pool. This can vary between 0–175 percent of the target amount. STIP participants are allocated to one of the following STIP pools with the associated key metrics:

STIP pools	Key measures
Group pools[1]	Group BOP and the overall customer NPS.[2]
Investment management	Investment results.
Countries	The relevant BOP, along with customer NPS as applicable.[2]
Farmers[3]	Growth, profitability and customer metrics.
Joint ventures	Relevant profitability metrics.

Individual performance

Individual performance determines the differentiation level for the STIP award

Zurich has a clearly defined global performance and development approach where individuals, jointly with their managers, define and agree on annual objectives that support the achievement of the business strategy and operating plans. An individual's personal achievements consider performance on objectives, as well as the behaviors demonstrated. These continue to be guided by the Group's Code of Conduct, purpose and values.
At the end of the year, one of three performance categories is assigned:
Partially met
Fully met
Exceeded
Differentiated award levels are determined across the range of performance within each of the performance categories.

STIP award

STIP target x STIP pool achievement x individual performance

Underperformance by the business and/or the individual can result in a STIP award that is below the target amount and can be 0 percent. Similarly, if business performance and/or individual performance is above expectations, this can result in a STIP award that is above the target amount and capped at 200 percent of the STIP target amount. The resulting STIP award is paid in cash.

1 Covering the leadership team, control functions, Group and regional employees.
2 The customer net promoter system (NPS) score, a global best practice standard for measuring customer experience, is one of the key measures (20 percent weight) used to determine the business performance in markets where there is sufficiently robust data. Close to 90 percent of STIP participants are in a pool where funding is impacted by customer satisfaction achievements.
3 Including a separate pool for Farmers New World Life.

Long-term incentives

Long-term (three- to six-year) incentives are performance-driven based on the following design for the performance period 2020 to 2022:

To support the achievement of the Group's longer-term financial goals, long-term incentives are utilized for a defined group of the most senior positions in the Group, those that have a significant influence on the risk profile of the Group, as well as individuals considered suitable for participation, for example due to market competitiveness given their skills and areas of expertise. This group generally contains the individuals with the highest levels of total remuneration. The LTIP aligns the incentives and behaviors of participants with the long-term interests of the Group and its shareholders. To further support this purpose, the individual hedging of any shares of Zurich Insurance Group Ltd is prohibited.

In alignment with the Group's risk profile and business strategy, and considering best practice principles among insurance companies as well as views from proxy advisers and shareholders, long-term incentives are provided with a deferral element that takes into account material risks and their time horizon. Such deferred remuneration is structured to promote the risk awareness of participants and to encourage participants to operate the business in a sustainable manner. An overview of the LTIP for the performance period 2020–2022 is set out on the following page and includes the increases to both the NIAS ROE and cash remittance performance metrics in line with the financial targets for the strategic cycle previously shared in the outlook of the remuneration report 2019 (www.zurich.com/annual-report/2019).

Details of the LTIP relevant for the 2021 vesting decision following the performance period from 2018–2020, can be found in the remuneration report for 2018 (www.zurich.com/en/investor-relations/results-and-reports).

Remuneration report (continued)

Target shares

Each participant has an annual LTIP target amount determined as a percentage of the annual base salary. The number of target shares to be allocated on the third working day in April, is calculated by dividing the target amount by the closing share price on the day prior to the allocation. To further align plan participants with the interests of shareholders, target shares may be credited with dividend equivalent units (DEUs)[1] during the vesting period.

Vesting level

Defines the percentage of target shares that will vest

The vesting level is calculated according to an assessment of the predefined performance criteria detailed in the vesting grid below. At the end of the three-year performance period each performance metric is assessed independently and has an equal weighting. For the NIAS ROE and cash remittance metrics, linear interpolation is used to determine the level of vesting.

Assessment of the predefined performance criteria as per the vesting grid:

The vesting grid is set and reviewed by the Board annually to ensure alignment with the strategy and financial targets.

Performance criteria	0% vesting	50% vesting	100% vesting	150% vesting	200% vesting
Relative TSR position[2]	18th – 13th	12th – 10th	9th – 7th	6th – 4th	3rd – 1st
	Ensures that an external market industry view is taken by considering Zurich's performance in comparison to its peers.				
Average NIAS ROE	< 11.75% p.a.	11.75% p.a.	14.00% p.a.	15.125% p.a.	≥ 16.25% p.a.
	Key measure for shareholders, supporting the alignment of LTIP participants with shareholder interests, and reflecting the targets in the financial plan.				
Cumulative cash remittance	< USD 10.5 bn	USD 10.5 bn	USD 11.5 bn	USD 12.0 bn	≥ USD 12.5 bn
	Key component of Zurich's financial targets ensuring Zurich generates sufficient cash and demonstrates a commitment to creating liquidity for the business and shareholder requirements.				

LTIP award

Target shares x vesting level

Any vesting of shares for the LTIP award takes place on April 3, three years after the target shares were allocated to the participant.

At the vesting date, the number of target shares plus the accrued DEUs are assessed for vesting. In this way, only the number of target shares vesting are eligible for the accrual of DEUs. The final LTIP award for an individual is capped at 200 percent of the aggregate number of target shares and DEUs. For the ExCo, half of the vested shares, including vested DEUs, are sales-restricted for an additional three-year period after the date of vesting. This brings the overall vesting and sales-restriction period to a six-year holding period for this part of the award.

1 Each year during the vesting period, the dividend amount is calculated on the number of target shares provided at the date of allocation and this amount is subsequently converted into DEUs based on the closing share price on the day prior to the dividend payment. No dividend equivalent target shares are credited in the year of allocation if the allocation is made after the ex-dividend date. Further, no dividends will accrue on the dividend equivalent target shares.

2 The position of the TSR over the performance period compared with an international peer group of insurance companies derived from the Dow Jones Insurance Titans 30 Index. The Remuneration Committee reviews the peer companies to be included in the relative TSR assessment regularly to ensure that the peer group exhibits a strong TSR correlation and reflects the Group's business profile and geographic spread. There were no changes to the industry peer group which includes the following companies: AIG, Allianz, Allstate, Aviva, AXA, Chubb, Generali, Legal & General, Manulife Financial Corp., MetLife, Munich Re, Progressive Ohio, Prudential Plc, QBE, Swiss Re, The Hartford and Travelers Cos. Inc.

Remuneration report (continued)

Exceptional adjustments

The Board may exercise discretion when determining the vesting level to prevent unreasonable outcomes, or to reflect the financial impact of decisions taken to implement the strategy, or to deal with exceptional circumstances. An adjustment of +/–25 percent to the calculated vesting level may be applied and this can be positive or negative. As in recent years, no discretionary adjustment was made to the calculated vesting level for 2021 following the 2018–2020 performance period.

The right to modify awards to reflect individual circumstances is reserved for the Group CEO except for modifications regarding members of the ExCo where this right is reserved for the Remuneration Committee and the Board. An adjustment of +/–25 percent to the calculated final vesting level may be applied on an individual level prior to vesting. However, if performance under exceptional or unusual circumstances warrants it, exceptions to the +/–25 percent adjustment may be made. In this respect, Zurich reserves the right to adjust and even set the vesting level to 0 percent for an individual to reflect specific circumstances (e.g. in connection with a breach of internal or external rules) during the period prior to vesting. Any such adjustment is reserved exclusively for the Remuneration Committee and the Board.

LTIP vesting levels

To increase transparency for the reader, a table with the vesting levels under the LTIP is provided below.

Vesting levels for LTIP

		Vesting level as a percentage of target in				
		2019	**2020**	**2021**	**2022**	**2023**
Performance period	2016–2018	149%				
	2017–2019		178%			
	2018–2020			189%		
	2019–2021				n.a.	
	2020–2022					n.a.

Remuneration governance

The following information on the governance of Zurich's remuneration framework can be found in the corporate governance report:

- The governance framework, including the approval framework, which underpins Zurich's remuneration philosophy, system and practices.

Read more:
Page 46

- Responsibilities and activities of the Remuneration Committee.

Read more:
Pages 62–63

Outlined below is information regarding:

- The legal and regulatory requirements with which this remuneration report complies.
- The role of risk in Zurich's overall remuneration architecture and approach.
- Group share ownership guidelines.
- A review of the impact of Zurich's long-term compensation awards on possible share dilution.

Legal and regulatory requirements

This remuneration report provides all the information required by the following regulations with which Zurich complies:

- Chapter 5 of the Directive on Information Relating to Corporate Governance of the SIX Exchange Regulation (as of March 20, 2018).
- Swiss Code of Best Practice for Corporate Governance (Swiss Code of Best Practice), issued in 2002 by economiesuisse, as amended in October 2007 and in August 2014.
- Articles 14–16 of the Ordinance Against Excessive Compensation (AEC) (replacing the information in the notes to the consolidated financial statements according to Article 663b^{bis} of the Swiss Code of Obligations).
- Information as required by Article 663c para 3 of the Swiss Code of Obligations.
- Requirements of the Circular 2010/1 on minimum standards for remuneration schemes of financial institutions, issued by the Swiss Financial Market Supervisory Authority (FINMA) on October 21, 2009 as amended on June 1, 2012, December 3, 2015 and September 22, 2016, as well as further guidance issued on January 19, 2011 (FINMA Circular on Remuneration Schemes).

Zurich's approach to the Ordinance AEC

Since the AGM in 2015, binding votes are held where shareholders vote on and approve the maximum total amount of remuneration for the Board for the next one-year period from AGM to AGM and the maximum total amount of remuneration for the ExCo for the subsequent financial year (Article 18 para 1 Articles of Association: www.zurich.com/en/investor-relations/our-shares/articles-of-association). Details on the votes can be found in the invitation to the AGM 2021 (www.zurich.com/en/investor-relations/shareholder-area/annual-general-meeting) and in the respective sections of the remuneration report for the Board (page 112) and for the ExCo (page 118). Articles 18, 28 and 34 of the Articles of Association (www.zurich.com/en/investor-relations/our-shares/articles-of-association) outline the approach regarding the votes on pay, supplementary amounts for any new members of the ExCo during a period for which the remuneration for the ExCo has already been approved, performance-related remuneration for the ExCo, allocation of shares and loans and credits.

Further, the information provided according to Articles 14–16 of the Ordinance AEC contained in the remuneration report has been externally audited following the audit requirements of the Ordinance AEC (Article 13 para 1 and Article 17 of the Ordinance AEC) and the information subject to audit is marked in the respective sections of the remuneration report.

Remuneration and risk

The Remuneration and the Risk and Investment Committees meet jointly once a year to discuss a risk review of the remuneration architecture and the remuneration governance framework. The assessment of risk in making reward decisions, and the ability to apply risk adjustments and exercise malus and clawback, if required, are features of Zurich's remuneration framework. Group Risk Management evaluated the remuneration architecture in 2020 and reported that the remuneration architecture does not encourage inappropriate risk-taking that exceeds the Group's level of tolerated risk.

To help align remuneration with the Group's risk-taking capacity, Group Risk Management consults with other control, governance and assurance functions to provide the Group CEO with a review of risk factors to consider when assessing overall performance for the annual funding of incentive awards. The Group Chief Risk Officer (Group CRO) is available to discuss these findings with the Remuneration Committee and the Board. The Group CEO considers Group Risk Management's assessment, amongst other factors, when proposing the STIP awards to the Remuneration Committee, which in turn makes its recommendation to the Board for final approval.

All leadership team roles are considered key risk taker positions. The remuneration for key risk taker positions includes STIP and LTIP, with a greater emphasis towards long-term incentives and therefore, deferred remuneration. Group Risk Management, together with other control and assurance functions, provide risk, compliance and audit information about each key risk taker as part of the annual individual performance assessment and for the target cards of the leadership team including the ExCo. This is considered when assessing performance and making reward decisions.

The variable remuneration of employees in control and assurance functions is structured to avoid conflicts of interest, by linking to Group profitability metrics rather than the profitability of the business controlled by such functions.

Group Audit periodically assesses the operational implementation of Zurich's Remuneration Rules to verify that the remuneration architecture is adhered to across the Group.

Remuneration report (continued)

Share ownership guidelines

To align the interests of the Board and the ExCo with those of shareholders, Directors and members of the ExCo are required to meet the following levels of share ownership:

- Members of the Board: one times the basic annual fee.
- Group CEO: five times the base salary.
- Other members of the ExCo: two-and-a-half times the base salary.

Directors achieve this requirement by obtaining part of their fee in five-year sales-restricted shares and market purchases. Members of the ExCo achieve this through their participation in the LTIP and market purchases. Directors, the Group CEO and other members of the ExCo have a period of five years to meet their ownership requirements and the Remuneration Committee monitors compliance with these guidelines on an annual basis.

As of December 31, 2020, Directors held 32,461 shares and members of the ExCo held 231,343 shares. At the end of 2020, all Directors and all members of the ExCo who have served at least five years on the Board or the ExCo respectively, met the required share ownership level.

Share dilution

In 2018, Zurich began purchasing its own shares on the market to fulfill share obligations for share-based compensation awards. Zurich has also taken additional measures to offset the impact of dilution from previously vested long-term share plans in the past few years with the completion of its public share buyback program for cancellation purposes in 2018. On April 3, 2019, the Annual General Meeting approved the cancellation of the 1,740,000 own shares of Zurich Insurance Group Ltd with a nominal value of CHF 0.10 repurchased under the public share buy-back program. In March 2020, Zurich issued 852,140 new shares to fund the vesting of LTIP. The share capital of Zurich Insurance Group Ltd increased from 149,608,027 to 150,460,167 fully paid registered shares with a nominal value of CHF 0.10 each.

Share dilution as of December 31

		2020	2019
Share dilution	Shares issued during the year[1]	852,140	–
	Shares cancelled during the year	n.a.	1,740,000
	Registered shares as of December 31	150,460,167	149,608,027
LTIP	Total number of unvested target shares[2]	1,592,879	1,736,154
	– as a percentage of the registered shares	1.06%	1.16%

1 New shares were issued from contingent capital during 2020 to fund the LTIP. No new shares were issued in 2019 when the LTIP and other employee share plans were funded by shares repurchased on the market.
2 Given the vesting level of 189 percent of target for the share allocations vesting in 2021 and assuming 100 percent vesting in 2022 and 2023. For 2019 the figure represents vesting of 178 percent in 2020 and assumed 100 percent vesting for 2021 and 2022.

Audited

The information provided according to Articles 14–16 of the Ordinance AEC contained in the remuneration report needs to be externally audited following the audit requirements of the Ordinance AEC (Article 13 para 1 and Article 17 of the Ordinance AEC). In addition, the information according to Article 663c of the Swiss Code of Obligations is being audited and disclosed as such in the remuneration report. All audited sections have been highlighted accordingly.

Remuneration and shareholdings 2020

The following section sets out the remuneration and shareholdings of members of the Board of Directors and members of the ExCo, as well as the remuneration of all employees.

Board of Directors

Directors' fees

As a global insurance provider, Zurich's Directors' fees need to be established at a level which enables the Group to attract and retain individuals with a long-term interest in Zurich's success and reflecting the diversity of the Group's employee and customer base. To assist in determining Board remuneration, an independent adviser carries out benchmarking studies on a regular basis. Zurich aims to set the remuneration of its members of the Board at the relevant median levels using the Swiss Market Index (SMI) as a basis. Adjustments to the Chairman and Vice-Chairman fees, and to the committee membership and chair fees, were proposed to shareholders and subsequently approved as of the AGM in 2020. There was no change to the basic fee for the other members of the Board and half of this fee continues to be provided in five-year sales-restricted Zurich shares. Based on the role and the fee structure, fee levels are established for each member of the Board. The fees paid to Directors (including the portion provided in sales-restricted shares) are not subject to the achievement of any specific performance conditions.

The following table sets out the fee structure as of the AGM in 2020 with a comparison to the prior period.

All Directors of Zurich are also members of the Board of Directors of Zurich Insurance Company Ltd, and the fees cover the duties and responsibilities under both boards.

Fee structure for members of the Board[1]

	Fee elements in cash (CHF 000)	Fee elements in sales-restricted shares (CHF 000)	Total fees 2020 (CHF 000)	Total fees 2019 (CHF 000)
Basic fee for the Chairman of the Board[2]	1,000	1,000	2,000	1,500
Basic fee for the Vice-Chairman of the Board[2]	225	225	450	400
Basic fee for a member of the Board	120	120	240	240
Committee fee[3]	80	–	80	60
Chair fee for the Audit Committee	100	–	100	80
Chair fee for the Remuneration Committee[4]	80	–	80	60
Chair fee for the Risk and Investment Committee	80	–	80	60
Chair fee for the Governance, Nominations and Sustainability Committee[4]	80	–	80	60

1 These amounts are for the period from AGM to AGM. The table excludes other fees for board memberships of subsidiary boards of Zurich.
2 Neither the Chairman nor the Vice-Chairman receive any additional fees for their committee work on the Board of Zurich.
3 Amount remains the same irrespective of the number of committees on which a member of the Board serves.
4 For 2020 and 2019 no Chair fee has been paid for the Governance, Nominations and Sustainability Committee or the Remuneration Committee, as the Chairman and Vice-Chairman of the Board respectively, have been chairing these committees.

Remuneration report (continued)

The committees on which the Directors serve are set out in the corporate governance report on page 52. In 2020, the Board consisted entirely of non-executive Directors independent from management.

Where a Director is also a member of one or more subsidiary boards of Zurich, the Director is entitled to an additional fee of CHF 50,000 per annum plus CHF 10,000 per annum if he or she also chairs an audit committee of such a board. The fee structure for subsidiary boards can be modified if certain circumstances, for example, the additional time commitment to discharge the duties of a board member, warrant it.

The total aggregate fees allocated to the Directors of Zurich and Zurich Insurance Company Ltd for the calendar year ended December 31, 2020, amounted to CHF 5,386,250. This included CHF 3,081,250 in cash and CHF 2,305,000 in five-year sales-restricted shares. The share price used for the allocation of shares was CHF 329.80 (the closing share price on the day prior to the allocation). The corresponding amount for 2019 was CHF 4,650,000, which comprised CHF 2,620,000 in cash and CHF 2,030,000 in five-year sales-restricted shares. The share price used for the allocation of shares in 2019 was CHF 337.30.

The following tables set out the actual fees paid to the Directors for 2020 and 2019 in Swiss francs. In 2020, eleven members served for the full year. In 2019, eight members served for the full year and four members served for part of the year.

Audited

Directors' fees 2020

in CHF	2020[1]					
	Fee elements in cash					
	Basic fee	Committee fee[2]	Chair fee[3]	Total cash	Total sales restricted shares[4,5]	Total fees
M. Liès, Chairman[6]	937,500	n.a.	n.a.	937,500	1,000,000	1,937,500
C. Franz, Vice-Chairman[6]	218,750	n.a.	n.a.	218,750	225,000	443,750
J. Amble, Member	120,000	75,000	–	195,000	120,000	315,000
C. Bessant, Member	120,000	75,000	–	195,000	120,000	315,000
A. Carnwath, Member	120,000	75,000	95,000	290,000	120,000	410,000
M. Halbherr, Member	120,000	75,000	–	195,000	120,000	315,000
J. Hayman, Member	120,000	75,000	75,000	270,000	120,000	390,000
M. Mächler, Member	120,000	75,000	–	195,000	120,000	315,000
K. Mahbubani, Member	120,000	75,000	–	195,000	120,000	315,000
J. Staiblin, Member	120,000	75,000	–	195,000	120,000	315,000
B. Stowe, Member	120,000	75,000	–	195,000	120,000	315,000
Total in CHF[7]	**2,236,250**	**675,000**	**170,000**	**3,081,250**	**2,305,000**	**5,386,250**

Remuneration report (continued)

Audited

Directors' fees 2019

in CHF	2019[1]					
	Fee elements in cash					
	Basic fee	Committee fee[2]	Chair fee[3]	Total cash	Total sales restricted shares[4,8]	Total fees
M. Liès, Chairman[6]	750,000	n.a.	n.a.	750,000	750,000	1,500,000
C. Franz, Vice-Chairman[6]	200,000	n.a.	n.a.	200,000	200,000	400,000
J. Amble, Member	120,000	60,000	–	180,000	120,000	300,000
C. Bessant, Member	120,000	60,000	–	180,000	120,000	300,000
A. Carnwath, Member	120,000	60,000	80,000	260,000	120,000	380,000
M. Halbherr, Member[9]	90,000	45,000	–	135,000	120,000	255,000
J. Hayman, Member	120,000	60,000	60,000	240,000	120,000	360,000
M. Mächler, Member	120,000	60,000	–	180,000	120,000	300,000
K. Mahbubani, Member	120,000	60,000	–	180,000	120,000	300,000
D. Nish, Member[9]	30,000	15,000	–	45,000	–	45,000
J. Staiblin, Member[9]	90,000	45,000	–	135,000	120,000	255,000
B. Stowe, Member[9]	90,000	45,000	–	135,000	120,000	255,000
Total in CHF[7]	**1,970,000**	**510,000**	**140,000**	**2,620,000**	**2,030,000**	**4,650,000**

1 The remuneration shown in the tables is gross, based on the accrual principle and does not include any business-related expenses incurred in the performance of the Directors' services.
2 Members of a committee receive a cash fee of CHF 80,000 as of the AGM 2020 (CHF 60,000 prior to this) for all committees on which they serve, irrespective of the number. The committees on which the Directors serve are set out in the corporate governance report.
3 Committee chairs receive an annual fee of CHF 80,000 as of the AGM 2020 (CHF 60,000 prior to this) and the chair of the Audit Committee receives an additional CHF 20,000. The committees on which the Directors serve and the chairs are set out in the corporate governance report.
4 The shares allocated to the Directors are not dependent on the achievement of performance criteria and are sales-restricted for five years.
5 As of June 16, 2020, Michel Liès was allocated 3,032 shares, Christoph Franz was allocated 682 shares, and the other members of the Board were allocated 363 shares. The closing share price on June 15, 2020 (CHF 329.80) was adopted to calculate the number of shares based on the fixed portion of the fee allocated in shares for the respective members. Where the value of the allocated shares did not equal the value of the portion of the fee to be allocated in shares, the difference was paid in cash.
6 Neither the Chairman nor the Vice-Chairman received any additional fees for their committee work on the Board of Zurich.
7 In line with applicable laws, Zurich paid the company-related portion of contributions to social security and pension systems, which amounted to CHF 224,752 in 2020. In addition, an adjustment payment for social security contributions was made in 2020 related to prior years for a former member of the Board which amounted to CHF 48,803. The corresponding contributions to social security and pension systems in 2019 were CHF 191,738. Any personal contributions of the Directors to social security systems are included in the amounts shown in the table above. Swiss-based Directors are eligible for selected employee benefits.
8 As of June 16, 2019, Michel Liès was allocated 2,223 shares, Christoph Franz was allocated 592 shares, and the other members of the Board were allocated 355 shares. The closing share price on June 15, 2019 (CHF 337.30) was adopted to calculate the number of shares based on the fixed portion of the fee allocated in shares for the respective members. Where the value of the allocated shares did not equal the value of the portion of the fee to be allocated in shares, the difference was paid in cash.
9 At the AGM on April 3, 2019, Michael Halbherr, Jasmin Staiblin and Barry Stowe were elected as members of the Board, and David Nish retired from the Board. Jasmin Staiblin was newly elected as a member of the Remuneration Committee.

Remuneration report (continued)

Audited

Special payments and termination arrangements, additional honoraria and remuneration and personal loans for Directors

There were no new members of the Board elected at the AGM on April 1, 2020, nor did any members of the Board stand down. No replacement payments, termination payments (golden parachutes), nor any other benefits such as additional contributions to occupational pension schemes were provided.

None of the Directors received any additional honoraria, remuneration or benefits-in-kind from the Group or from any of the Group's companies other than what is set out earlier. In addition, none of the Directors had any outstanding loans, advances or credits as of December 31, 2020 and 2019.

Remuneration and personal loans for former Directors

No benefits (or waiver of claims), loans, advances or credits have been provided to former Directors during 2020 at conditions which are not at arm's length, nor were any provided during 2019.

Related parties to the Directors or to former Directors

No benefits (or waiver of claims) have been provided to related parties of the Directors that were active during 2020 or 2019. No party related to members of the Board that were active during 2020 or 2019 had any outstanding loans, advances or credits as of December 31, 2020 and 2019.

Board remuneration voting at the AGM

A summary of the actual amounts of remuneration paid to the Board for a one-year period from AGM to AGM, along with the respective maximum amounts of total remuneration approved by shareholders for the past three periods, is outlined in the table below. These amounts differ from the fee amounts provided earlier in this report which relate to a financial year.

Summary of fees paid to the Board over the last three periods

Period AGM to AGM	Number of members	Fees in cash (CHF 000)	in shares (CHF 000)	Total (CHF 000)	Maximum amount approved at the AGM (CHF 000)	Percent of votes in favor
2020–2021[1]	11	3,205	2,305	5,510	5,670	87.2%
2019–2020	11	2,710	2,030	4,740	4,890	97.5%
2018–2019	9	2,350	1,790	4,140	4,650	97.2%

1 Assumes the amount to be paid for the first quarter in 2021 remains unchanged. Zurich also pays the company-related portion of contributions to social security and pension systems in line with applicable law. These contributions are not included here, however as a reference, Zurich paid an amount of CHF 224,752 for the calendar year 2020.

Information on the proposed maximum total amount of remuneration for the Board for the one-year period from the AGM 2021 to the AGM 2022 can be found in the invitation to the AGM 2021 (www.zurich.com/en/investor-relations/shareholder-area/annual-general-meeting).

Remuneration report (continued)

Audited

Shareholdings of Directors

The shareholdings of the Directors who held office at the end of 2020, in shares of Zurich Insurance Group Ltd are shown in the following table. All interests shown include the portion of shares allocated to the Directors as part of their fees, shares acquired in the market by the Directors and shares held by parties related to the Directors.

Directors' shareholdings[1]

Number of Zurich Insurance Group Ltd shares as of December 31	Ownership of shares	
	2020	2019
M. Liès, Chairman	7,778	4,746
C. Franz, Vice-Chairman	6,582	2,930
J. Amble, Member	2,496	2,133
C. Bessant, Member	1,541	1,178
A. Carnwath, Member	3,421	3,058
M. Halbherr, Member	718	355
J. Hayman, Member	2,079	1,716
M. Mächler, Member	3,044	2,681
K. Mahbubani, Member	2,496	2,133
J. Staiblin, Member	1,588	1,225
B. Stowe, Member	718	355
Total	**32,461**	**22,510**

1 None of the Directors, including parties related to them, held more than 0.5 percent of the voting rights of Zurich Insurance Group Ltd shares as of December 31, 2020 or 2019, respectively.

Executive Committee

Remuneration of the ExCo

The total remuneration for the members of the ExCo for 2020 comprises the value of base salaries, short-term cash incentives, the target share allocations made under the LTIP in 2020, pensions and other remuneration including employee benefits. To assist with decisions regarding the remuneration structure and the mix of the individual remuneration elements for members of the ExCo, the Board conducts benchmarking studies on a regular basis, taking into account relevant market practices within peer groups, as well as internal relativities.

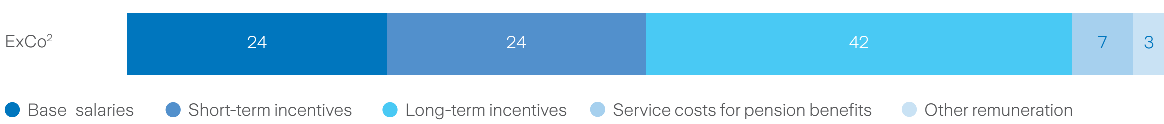
The remuneration structures and practices of a core peer group, consisting of the following insurance and reinsurance firms in the Dow Jones Insurance Titans 30 Index, are analyzed:

AIG, Allianz, Allstate, Aviva, AXA, Chubb, Generali, Legal & General, Manulife Financial Corp., MetLife, Munich Re, Progressive Ohio, Prudential Plc, QBE, Swiss Re, The Hartford and Travelers Cos. Inc.

The core peer group is regularly reviewed by the Remuneration Committee. Further, the analysis is supplemented by additional benchmarking studies as appropriate, for example reviewing practices of large SMI companies in Switzerland or companies of a similar size in other countries.

The distribution of the individual elements making up the total remuneration of the ExCo in 2020, is set out in the following chart and is based on the target values for the performance-related remuneration. It shows an appropriate balance of remuneration elements, with a significant emphasis on performance-related remuneration (STIP and LTIP), particularly long-term, deferred remuneration.

2020 remuneration structure[1]
%



1 At target, as a percentage of total remuneration.
2 Considering all members of the ExCo that were active for the full year, including the Group CEO.

Remuneration report (continued)

Amounts of remuneration for the ExCo

The following table shows the total remuneration in 2020 and 2019 for the highest-paid individual, which was Mario Greco, Group CEO, along with the total remuneration for all members of the ExCo (including the amounts for the Group CEO). The values of any one-time remuneration awards and the amounts of contractually agreed remuneration after stepping down from the ExCo and during the notice period, are shown below the total amounts.

Audited

Remuneration of the highest-paid individual and all members of the ExCo (including the highest-paid)

in CHF millions, for the years ended December 31		Highest-paid Group CEO		ExCo	
		2020[1]	2019[1]	**2020[1,2]**	2019[1,3]
Fixed remuneration	Base salaries	1.7	1.7	10.9	10.6
	Service costs for pension benefits	0.5	0.5	3.0	2.8
	Other remuneration	0.1	0.1	1.2	1.4
Variable remuneration	Short-term incentives	2.7	3.2	13.5	16.5
	Long-term incentives	3.8	3.8	19.6	17.5
Total in CHF[4]		**8.8**	**9.3**	**48.2**	**48.8**
Total in USD[4,5]		**9.4**	**9.4**	**51.5**	**49.9**
in CHF million, for the years ended December 31		**2020[6]**	2019[6]	**2020[6,2]**	2019[6,3]
Other payments and share allocations		–	–	1.2	0.0
Contractually agreed remuneration after stepping down and during notice period in the respective year		–	–	1.0	4.8

1 The remuneration shown is gross, based on the accrual principle, for the time employees are members of the ExCo during the year and does not include any business-related expenses incurred in the performance of the members' services.
2 On the basis of 13 members and former members of the ExCo, of whom 10 served in the ExCo during the full year in 2020.
3 On the basis of 14 members and former members of the ExCo, of whom 10 served in the ExCo during the full year in 2019.
4 In line with applicable laws where the executives are employed, Zurich paid the company-related portion of contributions to social security systems for members and former members of the ExCo, which amounted to CHF 3.4 million in 2020 and CHF 4.6 million in 2019. Since the contributions are based on full earnings, whereas benefits are capped, there is no direct correlation between the costs paid to social security systems and the benefits received by the executives.
5 The amounts have been translated from CHF to USD at the relevant exchange rates throughout the year and the cash incentive to be paid in 2021 has been translated at the year-end rate in 2020.
6 The remuneration shown is gross, based on the accrual principle and does not include any business-related expenses incurred in the performance of the members' or former members' services.

Remuneration report (continued)

Based on these figures, the value of the total remuneration for all members of the ExCo comprises 31 percent in fixed remuneration comprising base salaries, service costs for pension benefits and other remuneration including employee benefits (30 percent in 2019), and 69 percent in performance-related remuneration comprising cash incentive awards under the STIP and the value of the target share allocations under the LTIP (70 percent in 2019). The emphasis within variable remuneration lies on the deferred part, with 59 percent represented by target performance shares under the LTIP and 41 percent as cash incentive awards under the STIP.

Explanations of the elements of remuneration for the ExCo

The individual remuneration elements shown in the previous table are described in more detail below.

Fixed remuneration

Base salaries
See the remuneration elements table on page 100 for further information.

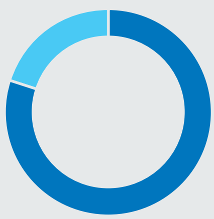
Service costs for pension benefits
The total value of pension benefits accruing to members of the ExCo during the year are calculated on the basis of the service costs for the company as assessed under IAS 19 accounting principles. Service costs value the amount of the pension benefits accruing during the year and for defined contribution plans, take the amount of the company contribution paid during the year. Members of the ExCo participate in the pension plan arrangements of the entities where they are employed. The Group's philosophy is to provide pension benefits through cash balance and/or defined contribution plans where funds are accumulated throughout a career to provide retirement benefits. The majority of the ExCo participate in such plans and over time, all future members of the ExCo shall participate in such plans. Where a member of the ExCo still participates in a defined benefit plan, this provides retirement benefits based on final pensionable earnings and years of service. Retirement ages generally vary from 60 to 65.

Other remuneration
Members of the ExCo receive other remuneration in relation to employee benefits, expatriate allowances, perquisites, benefits-in-kind and any other payments due under each member's employment contract. Benefits-in- kind have been valued using market rates.

Variable remuneration

Short-term incentives
The amount shown in the table relates to the total cash incentives earned under the Group's STIP. The individual STIP awards for members of the ExCo are determined in a similar way as for all employees, taking into account:

- **Business performance**
  This is determined by the achievements of the financial and customer metrics shown on the right, including an overall qualitative assessment of the results.
- **Individual performance**
  At the beginning of the year, each member of the ExCo receives a target card for their area of responsibility based on the general framework shown below.



Group BOP	80%
Overall customer NPS	20%

ExCo target card framework

Performance criteria		Section reference
Financial measures supporting strategy execution	~50%	**Read more:** Financial review
Customers	15-20%	**Read more:** Stakeholder report 2020 – Customer
Employees	15-20%	**Read more:** Stakeholder report 2020 – Employees
Strategic projects and accountabilities incl. ESG	10-20%	**Read more:** Delivering on our aspirations

Remuneration report (continued)

At the end of the year, each member conducts a self-assessment of their performance in relation to the targets set. Group Risk Management, together with other control and assurance functions, provide risk, compliance and audit information to be considered as part of the ExCo members' individual performance assessment. A discussion is subsequently held between each member of the ExCo and the Group CEO. In a rigorous process, the Group CEO and the Remuneration Committee review the individual performance achievements, including behavior and risk aspects. For the Group CEO, the review is conducted by the Remuneration Committee.

- **STIP target**
  The STIP target percentages for the members of the ExCo for 2020 are 100 percent of the base salary.

STIP awards for each member of the ExCo are determined and approved by the Board considering overall business performance, individual performance and STIP target amounts. The maximum STIP award for each member of the ExCo is 200 percent of the individual target amount.

Long-term incentives

The total number of target performance shares allocated under the Group's LTIP to members of the ExCo in 2020 for the three-year performance period 2020–2022, was 58,782. The target performance share allocations are valued using the closing share price of CHF 333.20 on the day prior to the allocation (second working day in April), assuming a vesting level of 100 percent in 2023. Dividend equivalent target shares that may accrue during the performance period are not included.

The LTIP target percentages for the allocation in 2020 varied between 125 percent and 225 percent of base salary for members of the ExCo and the maximum vesting level, to be assessed in 2023, is 200 percent of the aggregate number of target shares and dividend equivalent target shares.

The LTIP vesting level in 2021 for shares allocated in 2018 is 189 percent. No discretionary adjustment was made to the calculated vesting level.

- **Other payments and share allocations:**
  These are extraordinary and include payments and share allocations to compensate incentive plan forfeitures with previous employers.

  In extraordinary circumstances where payments are made to new hires to replace forfeitures under the incentive plans of the previous employer, the payments tend to mirror the type and timing of the forfeited payments and can include cash payments and/or awards of restricted or performance shares. Where payments are made in cash, there is typically a clawback period if the employee leaves the company voluntarily during the first two years of employment. Restricted share allocations typically vest over three to five years following the date of allocation and may also be credited with DEUs during the vesting period to compensate for any dividend paid. Restricted shares and associated DEUs are typically forfeited if the holder of such allocations leaves the company before the vesting date and the employment relationship terminates.

  Replacement payments were made to the new members of the ExCo who took up employment with the Group during 2020. They comprise payments in cash to be made in 2021 and restricted share allocations vesting between 2021–2026. No replacement payments were made in 2019.

- **Contractually agreed remuneration after stepping down and during notice period in the respective year:**
  The amount shown in the table relates to contractually agreed remuneration for the period of employment in 2020 or 2019 as applicable, after stepping down from the ExCo and during the notice period. Such remuneration may include base salaries, cash incentives, LTIP target allocations, pension service costs and other remuneration including employee benefits, on a pro rata basis.

Remuneration report (continued)

Audited

Special payments and termination arrangements, additional honoraria and remuneration, and personal loans for members of the ExCo

During 2020, there were two new members appointed to the ExCo as external appointments, and two members relinquished their responsibilities as members of the ExCo.

There were no termination payments (golden parachutes) or payments in advance made, nor any other benefits, such as agreements concerning special notice periods or longer-term employment contracts (exceeding 12 months in duration), or additional contributions to occupational pension schemes, provided.

None of the members of the ExCo received any remuneration from the Group or from any of the Group's companies in 2020 or 2019 other than as set out in the tables above.

As of December 31, 2020 and 2019, there were no loans, advances or credits outstanding for members of the ExCo.

Remuneration and personal loans for former members of the ExCo

Former members of the ExCo are eligible to continue their mortgage loans following retirement on similar terms to those when they were employed, in line with the terms available to employees in Switzerland. As of December 31, 2020 and 2019, no former member of the ExCo had any outstanding loans, advances or credits.

No former member of the ExCo received remuneration in 2020 or 2019 for their time as an ExCo member other than disclosed in the remuneration report 2020.

Related parties to members or former members of the ExCo

No benefits (or waiver of claims) have been provided to related parties of members of the ExCo that were active during 2020 or 2019. No party related to members of the ExCo that were active during 2020 or 2019 had any outstanding loans, advances or credits as of December 31, 2020 and 2019.

Remuneration report (continued)

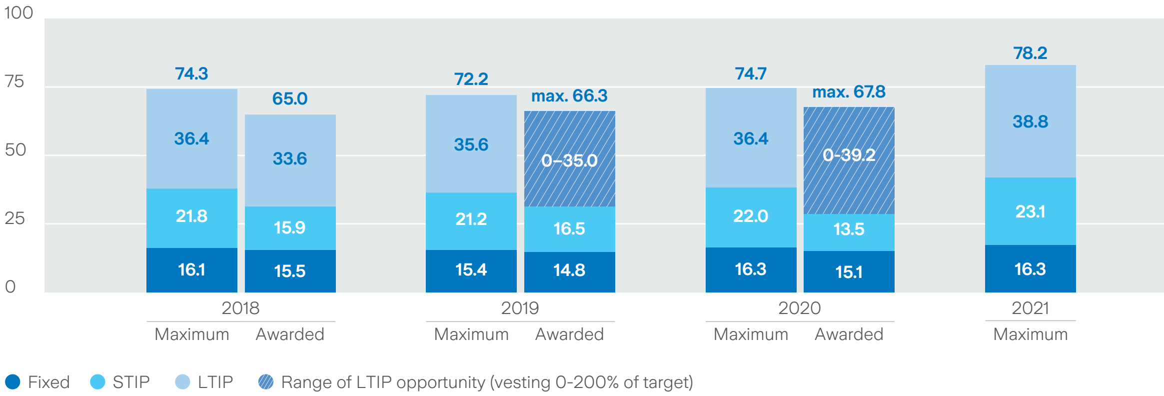
ExCo remuneration voting at the AGM

The following chart provides an overview of the maximum total amounts of remuneration for the ExCo approved by shareholders at the AGM in prior years, along with the maximum awarded remuneration considering:

- Actual fixed remuneration including base salary, pensions and benefits and other remuneration, as disclosed in the remuneration report for the respective year.
- Awarded STIP as disclosed in the remuneration report for the respective year.
- The range of LTIP opportunity considering possible vesting between 0 percent and 200 percent of the value of the target share allocation disclosed in the remuneration report for the respective year. The final amount will depend on the vesting level calculated upon completion of the three-year performance period.

Maximum total amounts of remuneration approved and the awarded amounts[1,2,3]

in CHF millions



1 The awarded LTIP amount for 2018 considers the vesting level of 189% applied to the initial target allocation made in 2018. The LTIP vesting levels for 2019 and 2020 will be known in 2022 and 2023 respectively, upon completion of the three-year performance period.
2 In addition to the awarded remuneration related to fixed pay, STIP and LTIP, other one-off payments and share allocations may be made. These could include extraordinary amounts for new ExCo hires to compensate incentive plan forfeitures with previous employers. There were no one-off payments in 2019. In 2018 and 2020, these amounted to CHF 2.5 million and CHF 1.2 million respectively. LTIP amounts do not consider shareholder returns including dividend equivalents from the date of the target share allocation until the date of vesting, as well as the impact of share price and foreign exchange rate fluctuations. Contributions to the company-related portion of social security systems in line with applicable laws, are not included in the amounts.
3 Based on the Articles of Association, Zurich is authorized to make payments to any member who joins the ExCo during a period for which the AGM has already approved the remuneration of the ExCo, of a supplementary amount for the period(s) in question, where the total amount already approved for such remuneration is not sufficient. The sum of all supplementary amounts may not exceed, during any one remuneration period, 30 percent of the respective total amount of approved maximum total remuneration for the ExCo.

Information on the proposed maximum total amount of remuneration for the ExCo for 2022 can be found in the invitation to the AGM 2021 (www.zurich.com/en/investor-relations/shareholder-area/annual-general-meeting).

Remuneration report (continued)

Shareholdings of the members of the ExCo

This section provides a summary of total outstanding share commitments under the LTIP and from restricted share allocations for members of the ExCo as of December 31, 2020.

Target share allocations under the LTIP and from restricted share allocations

As of December 31, 2020, the total number of unvested target share allocations under the LTIP was 170,887 (171,320 as of December 31, 2019) and the number of unvested restricted shares was 2,128 (3,683 as of December 31, 2019).

A summary of the unvested target share allocations as of December 31, 2020, under the LTIP and from restricted share allocations is set out in the following table:

Summary of unvested target and restricted share allocations for the ExCo as of December 31

		Year of vesting						
	Year of allocation	2021	2022	2023	2024	2025	2026	Total
LTIP[1]	2018	55,459	–	–	–	–	–	55,459
	2019	–	55,878	–	–	–	–	55,878
	2020	–	–	59,550	–	–	–	59,550
Restricted shares[2]	2019	–	–	–	–	–	–	–
	2020	135	135	267	136	–	1,455	2,128

1 Dividend equivalent target shares are credited within the regular LTIP and are included in these amounts where they have already accrued. At the vesting date, the original number of target shares allocated, plus the dividend equivalent target shares, will be assessed for vesting in aggregate based on the performance achievements against the predefined vesting grid. No dividends will accrue on the dividend equivalent target shares.
2 No performance conditions are applicable for vesting. Dividend equivalent shares are credited during the vesting period and included in these amounts where they have already accrued.

Within the context of the regular LTIP allocations made in 2020, these performance-based share allocations will be considered for vesting in 2023, with half of the resulting vested shares being sales-restricted for an additional three- year period.

The actual level of vesting is determined in accordance with the remuneration principles and vesting criteria set out in this report.

Remuneration report (continued)

Audited

Shareholdings of the members of the ExCo

The actual shareholdings of each member of the ExCo, active as of December 31, 2020, are shown in the following table for the past two years.

In addition to any shares acquired in the market, the numbers also include vested shares, whether sales-restricted or not, received under the LTIP. The table does not, however, include the share interests of the members of the ExCo that are currently unvested target shares or unvested restricted shares. All interests include shares held by related parties to members of the ExCo.

Shareholdings of the members of the ExCo[1]

Number of shares, as of December 31	Shares	
	2020	2019
M. Greco, Group CEO	79,501	61,929
U. Angehrn, Group Chief Investment Officer	24,139	16,086
E. Chan, Group Chief Information and Digital Officer[2]	–	n.a.
J. Dailey, CEO of Farmers Group, Inc.	23,846	19,117
P. Giger, Group Chief Risk Officer[2]	–	–
J. Howell, CEO Asia Pacific	11,540	8,092
A. Martin, CEO EMEA and Bank Distribution	8,864	3,747
L. Maurice, CEO Latin America[2]	–	n.a.
G. Quinn, Group Chief Financial Officer	46,479	44,680
K. Savio, CEO North America	8,019	6,352
J. Shea, CEO Commercial Insurance	9,526	4,412
K. Terryn, Group Chief Operating Officer	19,429	15,332
Total	**231,343**	**179,747**

1 None of the members of the ExCo, together with parties related to them, held more than 0.5 percent of the voting rights as of December 31, 2020 or 2019.
2 Ericson Chan was appointed as Group Chief Information and Digital Officer and Laurence Maurice was appointed as CEO Latin America, both as external appointments, effective October 1, 2020. Peter Giger was appointed as Group Chief Risk Officer as an external appointment effective October 1, 2019.

Trading plans

To facilitate the sale of shares for members of the ExCo, the Board approved the implementation of trading plans under a predefined transaction program effective as of 2008. The terms and conditions of the transactions must be defined and they cannot be changed. All trading plans require the approval of the Chairman of the Board. The establishment of a trading plan by an ExCo member is reported to the SIX Swiss Exchange according to the rules on disclosure of management transactions. As of December 31, 2020, there were no trading plans in place. Further, no trading plans were entered into in 2020 or 2019.

Remuneration report (continued)

All employees

Remuneration of all employees

Please refer to the remuneration framework section on page 99 for the key elements of remuneration and the benchmarking approach for all employees. The benchmarking analysis is mainly carried out and approved at a local level. The Group had 52,930 full-time equivalent employees as of December 31, 2020 (54,030 in 2019).

The following section includes information regarding the total remuneration earned by employees for 2020 and 2019 across the Group, including remuneration for members of the ExCo.

Total remuneration for all employees

in CHF millions, for the years ended December 31		2020	2019
Fixed remuneration	Base salaries, service costs for pension benefits and other remuneration[1]	5,012	4,941
Variable remuneration	Cash incentive awards earned for the year[2]	505	558
	Value of target share allocations made in the year[3]	145	139
Total remuneration		**5,662**	**5,638**

1 Service costs for pension benefits represent the present value of the defined benefits from pension and post-retirement benefit plans, plus employers' contributions to defined contribution plans, arising from employee service over the accounting period. The amount included in this figure for defined benefit plans is calculated using actuarial factors and can vary year-on-year as economic conditions change. These numbers are explained in greater detail in note 20 of the consolidated financial statements. Other remuneration includes amounts for employee benefits and any other payments due under employment contracts.
2 Includes the amounts under the Group's STIP, as well as other cash incentive awards such as those from local plans which are subject to local Board approval and any sign-on and severance payments in cash.
3 Includes the value of target performance share allocations made under the Group's LTIP, which assumes vesting in 2023 at 100 percent of target and any other target share allocations such as sign-on payments in shares.

Value of outstanding deferred remuneration

The Group's remuneration system includes instruments for the deferral of remuneration. The following table provides an overview of the overall value of outstanding deferred remuneration as of December 31, 2020 and 2019.

Value of outstanding deferred remuneration for all employees

in CHF millions, for the years ended December 31	2020	2019
Unvested target share allocations	387	409
Unvested restricted share allocations	10	10
Vested but sales-restricted shares	285	229
Value of overall outstanding deferred remuneration	**682**	**648**

The value of the deferred and unvested remuneration has been determined by multiplying the number of outstanding shares by the relevant share price at the original date of allocation and reflects the assumption of a future vesting level of 100 percent. The value of the vested, but sales-restricted shares considers the taxable value at the time of vesting.

Remuneration report (continued)

Impact on net income in 2020 and 2019 from remuneration made in prior years

The LTIP vesting level determines the actual number of shares to be awarded to participants relative to the target shares initially allocated. Differences in value between the initial estimated amount expensed in the income statement for the LTIP and the actual shares vesting in 2021, along with adjustments to the estimated value of shares vesting in 2022, depending on performance to date, are reflected in the 2020 consolidated income statement in line with accounting principles. For the 2018 and 2019 plans with shares vesting in 2021 and 2022 respectively, there was an increase of USD 9 million in the expense recognized in the 2020 income statement to reflect actual performance to date compared with original estimates. In 2019, there was an increase of USD 55 million to the expense recognized in the income statement to reflect adjustments due to actual performance.

Key risk takers

The following definition and principles for sign-on and severance payments apply.

– **Sign-on payments** are payments that are agreed on the execution of an employment contract (whether paid immediately or over time). Sign-on payments may include compensation made prior to a person joining the company and providing any services (payments in advance) or compensation for benefits foregone with a previous employer (replacement payments). Payments in advance are not paid to members of the Board or the ExCo. Any replacement payments for members of the ExCo, including the Group CEO, must be approved by the Board based on a proposal by the Remuneration Committee.
– **Severance payments** are provided in connection with the termination of an employment relationship. Zurich does not include under the term severance payments, garden leave or similar payments for employees in jurisdictions where such payments are required by applicable law, or where they are based on contractual notice periods which conform with recognized market practice, or where they are non-contractual, but in line with recognized market practice. Zurich does include garden leave or similar payments, however, that go beyond recognized market practice, irrespective of whether these are provided pursuant to an agreement or are ex gratia. Severance payments are not paid to members of the Board or the ExCo.

The Group as a principle does not make any sign-on or severance payments, however if circumstances in the Group's interest warrant such payments, these can be approved through a clear governance process. Any such payment with a value of CHF 1 million or more is approved by the Chairman of the Remuneration Committee prior to the time the employment offer is made or prior to the time the severance payment is committed to.

The following table discloses sign-on and severance payments committed to key risk takers. Key risk takers are incumbents of Zurich's most senior positions, as well as positions that have a significant influence on the risk profile of the company. For key risk taker roles where the incumbent is a member of the ExCo, no payments in advance and/or severance payments have been made. Replacement payments for the ExCo in 2020 and 2019 are included where such payments were made.

Sign-on and severance payments for key risk takers

in CHF millions, for the years ended December 31	**2020**		2019	
	Amount (CHF m)	**Number of beneficiaries**	Amount (CHF m)	Number of beneficiaries
Sign-on payments/number of beneficiaries	3.1	8	1.7	4
Severance payments/number of beneficiaries	–	–	–	–

Outlook 2021

Being a sustainable and impactful business is a clear priority for Zurich as can be seen by the actions and commitments made over the past years and that continue to be a focus also in the future. In support of this, ESG metrics are already integrated in our short-term incentives as follows:

- Inclusion of a non-financial customer metric for STIP funding.
- Relevant ESG objectives incorporated into the target cards for members of the ExCo.
- Risk and behavior aspects used to support the annual performance assessment.

In addition, various remuneration safeguards are in place within the overall remuneration framework to not encourage or reward inappropriate risk-taking. Zurich's remuneration approach will continue to be reviewed to ensure it supports the execution of the strategy, complies with legal and regulatory requirements, aligns with risk considerations and considers the interests of the Group's stakeholders.

At the AGM in 2021, shareholders are once again welcome to express their opinion on the remuneration report 2020, through an advisory vote. Shareholders will also have the opportunity to approve the maximum total amount of remuneration for the Board for the one-year period from AGM 2021–AGM 2022 and for the ExCo for 2022, in the relevant binding votes. More information on these votes can be found in the invitation to the AGM 2021 (www.zurich.com/investor-relations/shareholder-area/annual-general-meeting) and in the relevant sections of this report.

The Remuneration Committee will continue to enforce the governance framework, monitor market developments and also the remuneration approach, paying particular attention to the link between key performance factors, risk and compliance considerations and variable remuneration rewards. As in prior years, the committee will seek dialogue with investors and proxy advisers again in 2021.

Report of the statutory auditor

to the General Meeting of Zurich Insurance Group Ltd, Zurich

We have audited the accompanying remuneration report of Zurich Insurance Group Ltd for the year ended December, 31, 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled 'audited' on pages 110 to 114, and pages 117 and 120 of the remuneration report.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report of Zurich Insurance Group Ltd for the year ended December 31, 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Mark Humphreys Audit expert Auditor in charge	Nicolas Juillerat Audit expert

Zurich, February 10, 2021

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Risk review

Risk review

Message from our Group Chief Risk Officer

Risk management, an integral part of the solution

In 2020, we truly saw risk management at work. We navigated through a global pandemic that fundamentally impacted every part of the world: from how we live and work to the broader economic and market environment in which we and our customers operate. Zurich was able to leverage its approach to risk management and prove its resilience by remaining operationally robust and retaining a strong financial and solvency position.

We were able to quickly and seamlessly shift the majority of our operations from the office to remote home office and apply our expertise and tools, such as dynamic scenario and sensitivity analyses, to assess and pro-actively manage the potential impact of the unprecedented conditions experienced this year. The Group's focus on high-priority matters allowed us to deal with the unexpected. In our analyses, we identify plausible threat scenarios and quantify their potential impact on our businesses, solvency and financial performance. Depending on what the scenario assessments tell us, we develop, implement and monitor the actions that will give the optimal outcome for our customers, shareholders and other stakeholders.

Risk management at work.

"2020 was about dealing with the unexpected.

Peter Giger
Group Chief Risk Officer

Message from our Group Chief Risk Officer (continued)

Risk management gives our business leaders the support necessary to actively take risk with the right level of information and discipline and within the Group's risk appetite and tolerance. Through our extensive and diverse experience, we are driving an inclusive culture where risk-reward trade-offs are transparent and understood, and risks are appropriately managed.

Our integrated risk management framework enables the achievement of the Group's strategy by supporting effective risk identification and assessment that help protect our capital, liquidity, earnings, and reputation.

By effectively managing our risks, we maintain our resilience and make sure we are there when our customers need us. Zurich's risk review describes our major risks and how we manage them.

Sustainability

Our well-established Total Risk Profiling™ methodology supports us in delivering risk insights and enhances Zurich's capabilities in managing risks for our customers and ourselves.

The Group's commitment to sustainability, including managing the risks posed by climate change, continues to be an integral part of Zurich's risk management approach. The Group promotes best practices by managing the interconnectivity of environmental, social and governance (ESG) risks by engaging with its customers and investees.

By making risk management a strategic priority, we can equip our people with the tools, capabilities, and skills to support changing trends and ensure professional success.

We remain resilient and deliver on the promises we have made under Zurich's data commitment. In determining the Group's exposure to risks resulting from digital transformation, the Group assesses risks in cyber, information technology, data security and risks arising from emerging technologies and innovation. Zurich is committed to strengthening the link between digitalization and sustainability for the Group and our customers.

Resilient financial strength in a turbulent year

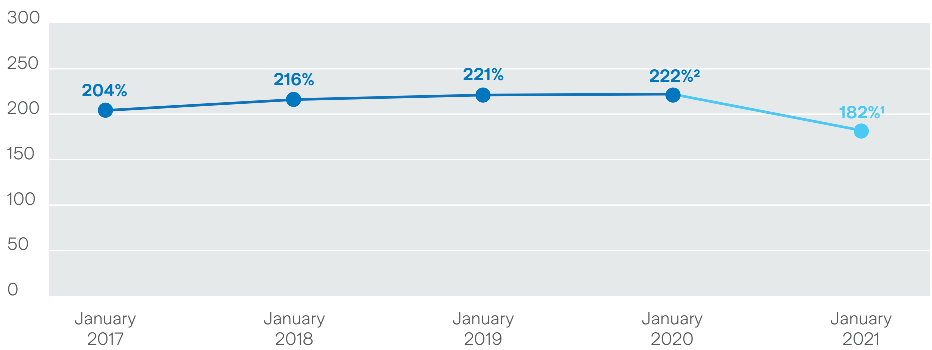
Our balance sheet remained strong throughout the year, despite facing challenges from the global health crisis and subsequent financial market turbulence. This strength reconfirms our ability to support our customers when they need us most. Swiss Solvency Test results can be found on pages 136–138.

Peter Giger
Group Chief Risk Officer

Development of Swiss Solvency Test ratio

The Group Swiss Solvency Test (SST) ratio decreased to 182 percent[1] as of January 1, 2021 from 222 percent[2] as of January 1, 2020. The development of the SST ratio in 2020 reflects a deteriorating economic environment, in particular lower interest rates and elevated financial market volatility.

SST ratio
in %



1 The SST results as of January 1, 2021 are estimated and may differ from the final SST results, which will be presented in the Financial Condition Report at the end of April 2021.
2 Based on Swiss Financial Supervisory Authority (FINMA) interest rate curves.

Analysis of Group total risk capital
in %, as of January 1, 2021

Insurance risk	31%
Market risk, including investment credit risk	68%
Other credit risk	1%

Highlights by risk type

Insurance risk

The Group's insurance risk is diversified by geography, line of business, product and customer, supported by our centralized purchase of reinsurance which led to solid insurance outcomes in 2020 in the face of COVID-19 and natural catastrophes.

Read more:
Pages 139–145

Market risk

Despite heightened market volatility the portfolio remained within the Group tolerance and continues to be well diversified. Additional measures were taken to reduce interest rate risk across the balance sheet.

Read more:
Pages 146–152

Other credit risk

In the face of the pandemic the Group's credit risk exposures continuously remained at high credit quality.

Read more:
Pages 152–153

Operational risk

Zurich's operational risk management approach enables the Group to focus on high-priority matters under demanding circumstances.

Read more:
Page 154

Risk review

Contents

The risk review information marked 'audited' is an integral part of the consolidated financial statements.

Risk review (continued)

Audited

This 'audited' symbol indicates that the information contained within the shaded panel is audited and forms an integral part of the consolidated financial statements.

Audited

Risk management

Objectives of risk management

Taking and managing risk is an integral part of the insurance business. Zurich takes and manages risks in an informed and disciplined manner and within a pre-determined risk appetite and tolerance.

The major risk management objectives at Zurich Insurance Group (Zurich, or the Group) are to:

- Support achievement of the Group's strategy and protect capital, liquidity, earnings and reputation by monitoring that risks are taken within the Group's risk tolerance
- Enhance value creation by embedding disciplined risk-taking in the company culture and contributing to an optimal risk-return profile where risk-reward trade-offs are transparent, understood, and risks are appropriately rewarded
- Efficiently and effectively diversify risk and avoid or mitigate unrewarded risks
- Encourage openness and transparency to enable effective risk management
- Support decision-making processes by providing consistent, reliable and timely risk information
- Protect Zurich's reputation and brand by promoting a sound culture of risk awareness, and disciplined and informed risk-taking

Risk management framework

The risk management framework is based on a governance process that sets forth clear responsibilities for taking, managing, monitoring and reporting risks.

The Zurich Risk Policy is the Group's main risk governance document. It sets standards for effective risk management throughout the Group. The policy describes the Group's risk management framework, provides a standardized set of risk types and defines the Group's appetite for risks at Group level. Risk-specific policy manuals provide guidelines and procedures to implement the principles in the Zurich Risk Policy. Ongoing assessments verify that requirements are met.

The Group regularly reports on its risk profile at local and Group levels. The Group has procedures to refer risk topics to senior management and the Board of Directors in a timely manner. To foster transparency about risk, the Board receives quarterly risk reports and risk updates. In 2020, additional dynamic reporting of COVID-19 risk scenarios took place.

The Group identifies, assesses, manages, monitors and reports risks that have an impact on the achievement of its strategic objectives by applying its proprietary Total Risk Profiling™ methodology. The methodology allows Zurich to assess risks in terms of severity and probability and supports the definition and implementation of mitigating actions. At Group level, this is an annual process, followed by regular reviews and updates by management.

Risk review (continued)

Audited

The Group's risk appetite and tolerance reflects Zurich's willingness and capacity to take risks in pursuit of value creation and sets boundaries within which the businesses act. Zurich protects its capital, liquidity, earnings and reputation by monitoring that risks are taken within agreed risk appetite levels and tolerance limits. The Group regularly assesses and, to the extent possible, quantifies material risks to which it is exposed.

Starting as of 2020, the Group's solvency position will be disclosed on the basis of the Swiss Solvency Test (SST) ratio to be more aligned with reporting by the Group's Swiss and European peers. The Group's SST internal model has been fully approved by the Swiss Financial Supervisory Authority (FINMA). Zurich's goal is to maintain capital consistent with a 'AA' financial strength rating for the Group, which translates into an SST ratio target of 160 percent or above.

The Group continues to apply the Zurich Economic Capital Model (Z-ECM) as an internal metric. Z-ECM provides a key input into the Group's planning process as an assessment of the Group's economic risk profile.

Risk-based remuneration

Based on the Group's remuneration rules, the Board of Directors designs and structures remuneration arrangements that support the achievement of strategic and financial objectives and do not encourage inappropriate risk-taking. Group Risk Management's role in respect to remuneration and its interaction with Board committees is described in the remuneration report.

Risk review (continued)

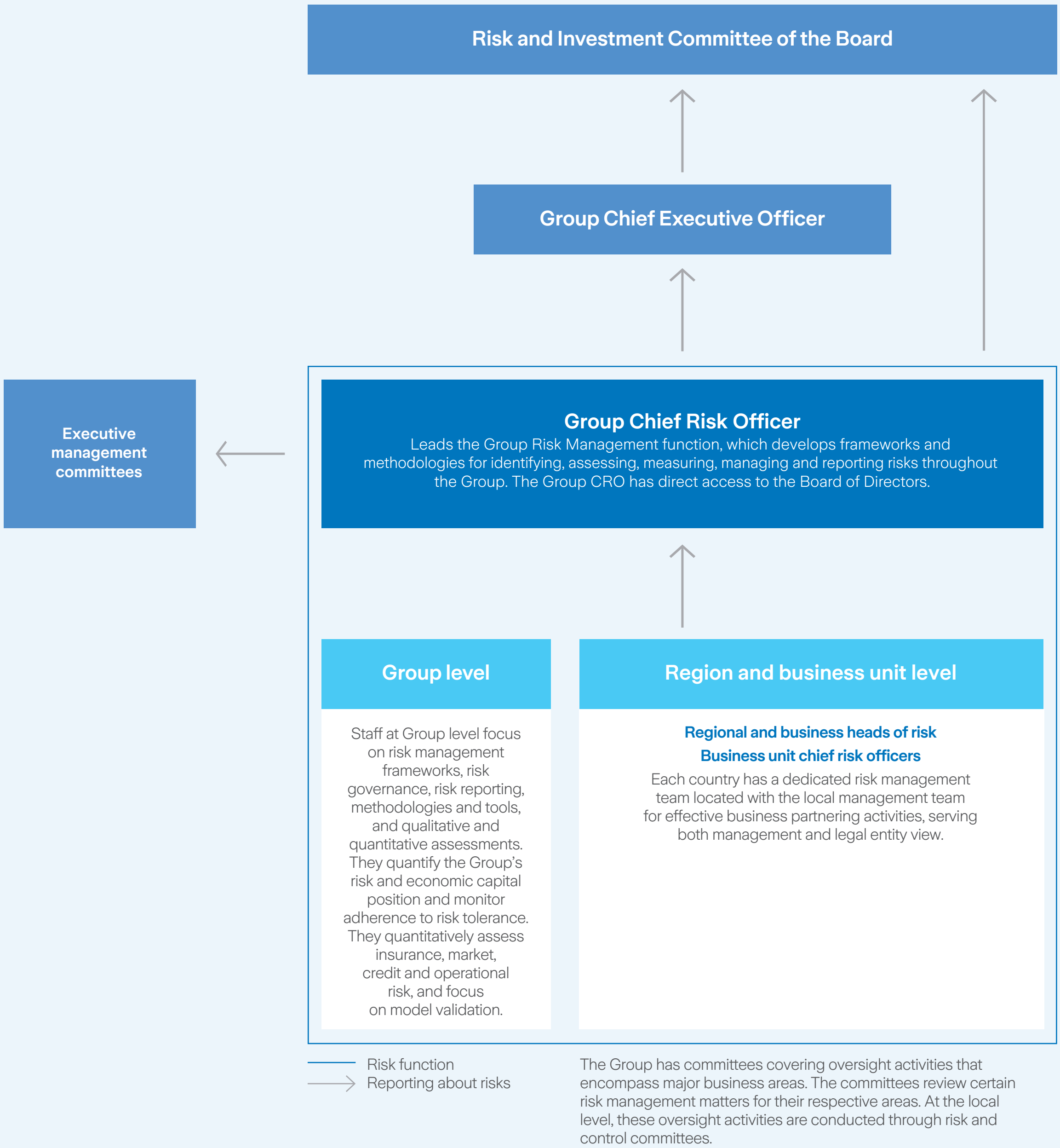
Audited

Risk governance and risk management organization

For information on the Group's overall governance, including the Board of Directors and Group executive level, see the corporate governance report (unaudited).

Risk management organization

The Group Risk Management function is a global function, led by the Group Chief Risk Officer (CRO).



The risk function is independent of the business by being a vertically integrated function where, unless otherwise required by local laws or regulations, global risk employees report directly into the Group CRO, except for Farmers' Chief Risk Officer who has a matrix reporting line to the Group CRO. Risk officers are embedded in the business, positioning them to support and advise on, and independently challenge, business decisions from a risk perspective. As business advisers on risk matters, the risk officers, equipped with technical risk skills as well as business skills, help foster a risk-aware culture in the business.

Risk review (continued)

Audited

Capital management

Objectives of capital management

The Group manages capital to maximize long-term value while maintaining financial strength within its 'AA' target range, and meeting regulatory, solvency and rating agency requirements.

As of December 31, 2020, International Financial Reporting Standards (IFRS) shareholders' equity of USD 38.3 billion and subordinated debt of USD 8.3 billion were part of the capital available in the Group's SST available financial resources (AFR). Further adjustments usually include items such as intangible assets, deferred tax assets and liabilities, allowing for discounting of liabilities and the value of in-force business, and market-consistent valuation of external debt according to the methodology under SST.

Zurich strives to simplify the Group's legal entity structure to reduce complexity and increase fungibility of capital.

Capital management framework

The Group's capital management framework forms the basis for actively managing capital within Zurich. The Group uses a number of different capital models, taking into account economic, regulatory, and rating agency constraints. The Group's capital and solvency position is monitored and regularly reported to the Executive Committee (ExCo) and Board of Directors.

Zurich's policy is to allocate capital to businesses earning the highest risk-adjusted returns, and to pool risks and capital as much as possible to operationalize its risk diversification.

The Group's executive management determines the capital management strategy and sets the principles, standards and policies to execute the strategy. Group Treasury and Capital Management executes the strategy.

Capital management program

The Group's capital management program comprises various actions to optimize shareholders' total return and to meet capital needs, while enabling Zurich to take advantage of growth opportunities. Such actions include paying and receiving dividends, capital repayments, share buy-backs, issuance of shares, issuance of senior and hybrid debt, securitization and purchase of reinsurance.

The Group seeks to maintain a balance between higher returns for shareholders on equity held and the security that a sound capital position provides, also for our customers. Dividends, share buy-backs, and issuances and redemption of debt have a significant influence on capital levels. In 2020, the Group paid a dividend out of retained earnings, issued shares out of contingent capital to fund vesting of shares in 2020, bought own shares to reduce future dilution from share-based employee plans and issued senior and hybrid debt to finance redemptions and investments in the Group's development.

The Swiss Code of Obligations stipulates that dividends may only be paid out of freely distributable reserves or retained earnings. Apart from what is specified by the Swiss Code of Obligations, Zurich Insurance Group Ltd faces no legal restrictions on dividends it may pay to its shareholders. As of December 31, 2020, the amount of the statutory general legal reserve was more than 40 times the paid-in share capital. The ability of the Group's subsidiaries to pay dividends may be restricted or indirectly influenced by minimum capital and solvency requirements imposed by insurance and other regulators in the countries in which the subsidiaries operate. Other limitations or considerations include foreign exchange control restrictions in some countries, and rating agencies' methodologies.

For details on issuances and redemptions of debt, see note 18 of the consolidated financial statements.

For details on the share buy-back program, see note 19 of the consolidated financial statements.

Risk review (continued)

Audited

Risk and solvency assessment

Regulatory capital adequacy

The Group endeavors to manage its capital so that its regulated entities meet local regulatory capital requirements. In each country in which the Group operates, the local regulator specifies the minimum amount and type of capital that each of the regulated entities must hold in addition to their liabilities. In addition to the minimum capital required to comply with the solvency requirements, the Group aims to hold an adequate buffer under local solvency requirements to ensure regulated subsidiaries can absorb a level of volatility and meet local capital requirements.

Regulatory solvency regimes

Regulatory requirements in Switzerland

The Swiss Solvency Test (SST) adopts a risk-based and total balance sheet approach. Insurance companies are required to provide a market-consistent assessment of the value of their assets and liabilities. Possible changes to these balance sheet positions are modelled over a one-year period to arrive at the total required capital.

Under the SST, insurance companies and insurance groups can apply to use company-specific internal models to calculate risk-bearing and target capital, as well as the SST ratio. The SST ratio must be calculated as per January 1 and submitted to the Swiss Financial Market Supervisory Authority (FINMA). Zurich filed with FINMA an SST ratio of 198 percent (unaudited) as of January 1, 2020.

In 2020, Zurich applied for the use of the FINMA interest rate curves. FINMA agreed to the use of standard yield curves for the main currencies to calculate the SST, starting end of Q1 2020. The ratio as of January 1, 2020 has been re-calculated on the same basis for disclosure purposes in order to allow better comparison. The SST ratio as of January 1, 2020, based on the FINMA interest rate curves, is 222 percent (unaudited). Zurich met the regulatory solvency requirements in Switzerland throughout 2020.

The estimated SST ratio as of January 1, 2021 stands at 182 percent (unaudited). The final SST ratio as of January 1 will be filed with FINMA by the end of April 2021 and is subject to review by FINMA.

Regulatory requirements in the European Economic Area (EEA)

The main regulatory framework governing the Group's subsidiaries in the EEA is Solvency II. This is a risk-based capital framework which covers capital requirements (pillar 1), governance and risk management (pillar 2) and reporting (pillar 3). All EEA-based legal entities of the Group use the Solvency II standard formula for their pillar 1 requirements with the exception of Zurich Insurance plc (Ireland) that applies an approved internal model.

Regulatory requirements in the UK

The United Kingdom left the EU and the EEA on January 31, 2020 and the transition period ended on December 31, 2020, meaning that UK regulations can diverge from Solvency II regulatory requirements.

Regulatory requirements in the U.S.

In the U.S., required capital is determined to be 'company action level risk-based capital' calculated using the National Association of Insurance Commissioners' risk-based capital model. This method, which builds on statutory accounts, measures the minimum amount of the capital for an insurance company to support its overall business operations by taking into account its size and risk profile.

Regulatory requirements in other jurisdictions

Every country has a capital standard for insurance companies. Several jurisdictions (e.g., Brazil and Mexico) have implemented approaches similar to Solvency II.

Risk review (continued)

Swiss Solvency Test ratio

The SST ratio is calculated as Group's SST available financial resources (AFR) minus market value margin (MVM) divided by the net of SST target capital (TC) and MVM. Market value margin, also known as risk margin, is the cost of future regulatory risk capital stemming from the present portfolio of assets and liabilities. Throughout the document, the January 1, 2020 Group SST ratio and its components are shown based on the updated SST model, which is based on FINMA interest rate curves.

In 2020, the solvency of the Group remained strong with an estimated SST ratio of 182 percent as of January 1, 2021, above the Group's SST ratio target of 160 percent. The main drivers of the Group's SST ratio reduction in 2020 were falling interest rates and higher market volatility as a result of the COVID-19 pandemic.

SST available financial resources

The Group's AFR are derived from the SST net asset value (NAV). The NAV represents the difference between the market-consistent value of assets and liabilities according to the market-consistent valuation methodology under SST.

During 2020, the Group's AFR increased by USD 3.8 billion to USD 52.1 billion as of January 1, 2021, compared to USD 48.3 billion as of January 1, 2020. The main drivers of the AFR increase in 2020 were the depreciation of U.S. dollar, positive equity market development, new net issuance of subordinated debt eligible as capital and Life model updates.

SST target capital

The Group uses an internal risk model to determine the required TC.

The Group's TC as of January 1, 2021 amounted to USD 31.3 billion, an increase of USD 6.7 billion compared to USD 24.6 billion as of January 1, 2020, primarily due to an increase in market risk. While equity markets and credit spreads at the end of 2020 tracked closely with year-end 2019 levels, elevated market volatility had a profound impact on the market risk.

Table O

Group SST ratio and underlying components

in USD billions	**January 1, 2021**[1]	January 1, 2020[2]
Total risk capital	26.9	21.2
Other effects on TC[3]	(1.4)	(1.7)
MVM	5.8	5.1
TC	31.3	24.6
TC minus MVM	**25.5**	**19.5**
AFR	52.1	48.3
AFR minus MVM	**46.3**	**43.2**
Group SST ratio	**182%**	**222%**

1 The SST results as of January 1, 2021 are estimated and may differ from the final SST results, which will be presented in the Financial Condition Report at the end of April 2021.
2 Based on FINMA interest rate curves.
3 Other effects are expected business development over the forecasting horizon, additional business costs and FINMA requirements.

Risk review (continued)

Total risk capital by risk type

The chart below shows the total risk capital, split by risk type, as of January 1, 2021 and as of January 1, 2020. As of January 1, 2021, the largest components of total risk are market risk and premium & reserve risk, comprising 68 percent and 14 percent of the total risk capital, respectively.

The increase in total risk capital as of January 1, 2021 compared to January 1, 2020, reflects an increase in market risk, mainly as a result of a falling interest rate environment, U.S. dollar depreciation against major currencies, and elevated market volatilities. Other risk types saw smaller movements as of January 1, 2021 compared to January 1, 2020, predominantly impacted by the changes in the economic environment.

Total risk capital, split by risk type

January 1, 2021
in %

Market risk	68%
Premium & reserve risk	14%
Business risk	9%
Life insurance risk	4%
Natural catastrophe risk	4%
Other credit risk	1%

January 1, 2020
in %

Market risk	62%
Premium & reserve risk	17%
Business risk	10%
Life insurance risk	5%
Natural catastrophe risk	5%
Other credit risk	1%

Sensitivity and scenario analysis

The Group evaluates sensitivities to, and stress scenarios on, the SST ratio, and assesses results relative to Zurich's risk appetite and tolerance. The sensitivities and stress scenarios in the chart below capture two key risks to the Group: market risk and insurance risk.

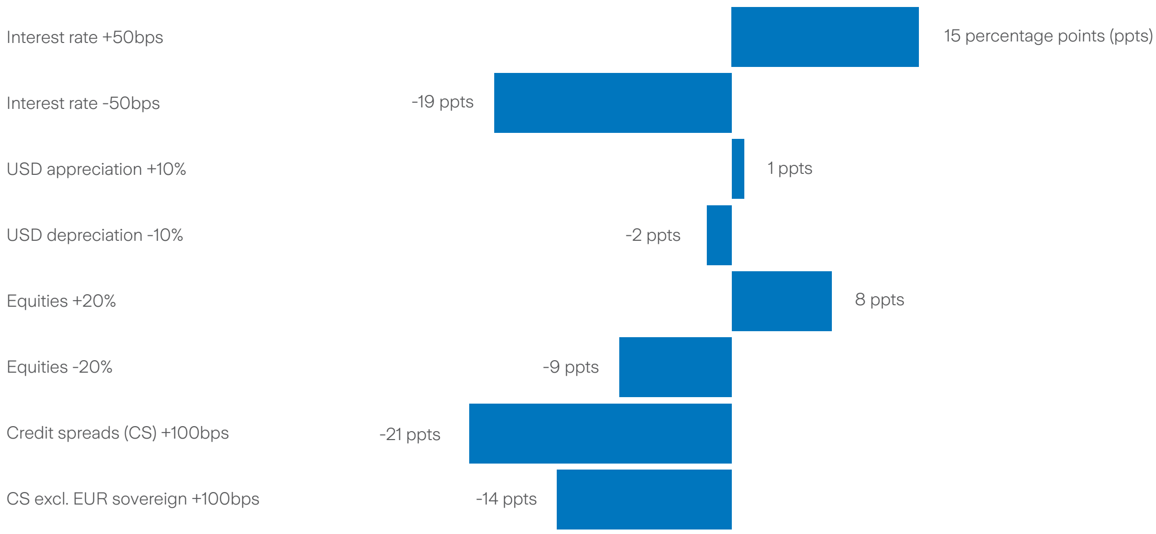
Market risk sensitivities show the estimated impact on the Group's SST ratio of a half-percentage-point (50 basis points or bps) increase or decrease in yield curves, a 10 percent appreciation or depreciation in the U.S. dollar, a 20 percent rise or decline in all stock markets, and a 100 bps increase in credit spreads, with and without euro-denominated sovereign bonds. The sensitivities are considered as separate but instantaneous shocks. They are a best estimate and non-linear, for example, a change to the size of the market movement could result in disproportionally higher (or lower) impact on the SST ratio depending on the prevailing market conditions at the time.

For insurance risk, the chart shows the three largest natural catastrophe events to which the Group is exposed. Insurance risk scenarios are defined as events that have a small probability of occurring but could, if realized, negatively affect the Group's AFR. The impact of insurance-specific scenarios on the target capital is not taken into account.

Risk review (continued)

SST sensitivities and scenarios
as of October 1, 2020

Impact on the SST ratio from sensitivities to financial market conditions:[1]



Impact on the SST ratio due to property and casualty risk-specific scenarios:[2]

1 Sensitivities are best estimate and reflect the impact on the pension plans in the UK. For the interest rate sensitivities, shocks are applied to the liquid and non-liquid part of the yield curve. Credit spreads (CS) include mortgages, including and excluding euro sovereign spreads. CS sensitivities include changes to the volatility adjustment applied to the interest rates curves.
2 The insurance risk-specific scenarios relate to natural catastrophe events that are estimated on a modeled 250-year net aggregate loss (equivalent to a 99.6 percent probability of non-exceedance).

Audited

Insurance financial strength rating

The Group has interactive relationships with three global rating agencies: S&P Global Ratings, Moody's, and AM Best. The insurance financial strength rating (IFSR) of the Group's main operating entity, Zurich Insurance Company Ltd, is an important element of Zurich's competitive position, while the Group's credit ratings also affect the cost of debt capital.

The insurance financial strength ratings remained unchanged in 2020 despite the impact of COVID-19 on earnings, balance sheet and capital. The three rating agencies affirmed the Group's IFSR, with S&P maintaining its "positive" outlook on the rating, based on their view of the Group's solid solvency position, strong competitive position, diversified sources of earnings and limited net underwriting losses related to COVID-19.

The planned acquisition by Zurich's subsidiary Farmers Group, Inc (FGI) and Farmers Exchanges of the U.S. Property & Casualty division of MetLife and its financing was seen as a credit positive for Zurich Group by Moody's and further supported the Group's positive outlook by S&P. The agencies consider that the acquisition will increase the contribution of Farmers Management fees to the profits, while the Group maintains a strong capitalization and high financial flexibility.

As of December 31, 2020, the IFSR of Zurich Insurance Company Ltd, the main operating entity of the Group, was 'AA–/Positive' by S&P Global Ratings, 'Aa3/Stable' by Moody's, and 'A+ (Superior)/Stable' by AM Best.

Risk review (continued)

Audited

Analysis by risk type

Insurance risk

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance cash flows. The profitability of insurance business is also susceptible to business risk in the form of unexpected changes in expenses, policyholders' behavior, and fluctuations in new business volumes. Zurich manages insurance risk through:

- Specific underwriting and claims standards and controls
- Robust reserving processes
- External reinsurance

Property and casualty insurance risk

Property and casualty insurance risk arises from coverage provided for motor, property, liability, special lines and worker injury. It comprises premium and reserve risk, catastrophe risk, and business risk. Premium and reserve risk covers uncertainties in the frequency of the occurrence of the insured events as well as in the severity of the resulting claims. Catastrophe risk predominantly relates to uncertainty around natural catastrophes. Business risk for property and casualty predominantly relates to unexpected increases in the expenses relating to claims handling, underwriting, and administration.

Management of Property & Casualty business insurance risk

The Group's underwriting strategy takes advantage of the diversification of Property & Casualty (P&C) risks across lines of business, customers and geographic regions. Zurich defines Group-wide governance for insurance risk including for new products. Underwriting discipline is a fundamental part of managing insurance risk. The Group sets limits on underwriting capacity and delegates authority to individuals based on their specific expertise and sets appropriate underwriting and pricing guidelines. Technical reviews assure that underwriters perform within authorities and adhere to underwriting policies.

Property & Casualty insurance reserves are regularly estimated, reviewed and monitored by qualified and experienced actuaries at local, regional and Group levels. To arrive at their reserve estimates, the actuaries take into consideration, among other things, the latest available facts, trends and patterns of loss payments. Inflation is monitored with insights feeding into actuarial reserving models and Zurich's underwriting processes and pricing.

To ensure a common understanding of business insights and new trends for reserve analysis, financial plans, underwriting and pricing decisions, the Group has established a culture of continuous cross-functional collaboration. For this, underwriting, actuarial (pricing and reserving), claims, finance, sales and distribution, risk engineering and risk management contribute to quarterly meetings at local and Group level.

Zurich's Emerging Risk Committee, with cross-functional expertise from core insurance functions such as underwriting, claims and risk management, identifies, assesses and recommends actions for emerging risks.

Governance is in place to ensure appropriate focus on top-line targets and profitability. Reinsurance is deployed to help manage insurance risk. Group Risk Management also provides independent assurance through risk reviews.

The Group is exposed to losses that could arise from natural and man-made catastrophes. The main concentrations of risks arising from such potential catastrophes are regularly reported to executive management. The most important peril regions for natural catastrophes continue to be U.S. and Caribbean hurricane, California earthquake and Europe wind.

Risk review (continued)

Audited

Natural catastrophes

The Group uses third-party models (adjusted to Zurich's view) to manage its underwriting, ensure accumulations stay within intended exposure limits and assess the capital requirement due to natural catastrophes. Consistent with this view on natural catastrophes, Zurich performs profitability assessments and strategic capacity allocations, and chooses the type and quantity of reinsurance it buys.

To ensure global consistency, exposures to natural catastrophes are modeled in a dedicated Group function. Potential losses from property policies with material exposure in hazard-prone geographical areas and from worker injury policies with material exposure in U.S. seismic zones are probabilistically modeled. Losses for other lines of business are estimated based on adjustments to these modeled results. Risk modeling mainly addresses weather-induced perils such as wind, flood, tornado, and hail, and geological-induced perils such as earthquake.

Zurich regularly reviews and expands the scope and sophistication of its modeling and strives to improve data quality. Zurich has invested in expanding its catastrophe research and development capabilities to increase the focus on the risks from a changing climate, communicable diseases, and an increasing reliance on information and communications technology.

Zurich supplements internal know-how with external knowledge (e.g., the Advisory Council for Catastrophes) and is a shareholder of PERILS AG, Switzerland, a catastrophe exposure and loss data aggregation and estimation firm. Zurich is also a member of the open-source initiative Oasis Loss Modelling Framework.

COVID-19 pandemic

In 2020, scenario modeling capabilities for the COVID-19 pandemic were developed and refined based on claims data. The scope in terms of lines of business includes primarily property, travel, accident and health, and credit and surety. The scenario modeling helped to inform the Group about the financial impact of COVID-19 and understand the main sensitivities. The data and risk insights gained from COVID-19 were used to build a model to better assess the risk in the P&C portfolio from pandemics.

Man-made catastrophes

Man-made catastrophes include events such as industrial accidents, terrorism and cyber attacks.

For terrorism, worker injury and property risk exposures are analyzed to identify areas with significant risk concentration. Other lines of business are assessed, although the potential exposure is not as significant. A vendor-provided catastrophe model is used to evaluate potential exposures in every major U.S. city. The Group's analysis for the P&C business has shown that its exposures outside of North America are lower, in a large part due to government-provided pools. Outside the modeled areas, exposure concentrations are identified in Zurich's Risk Exposure Data Store (REDS). Exposure concentrations for location-based man-made scenarios, other than terrorism, are also identified in REDS, for example, industrial explosions at global ports.

The Group uses third-party models to manage its underwriting and accumulations for cyber and casualty catastrophe risks. The Group actively monitors and manages its cyber exposure and continues to refine products to ensure their appropriateness. Improving modeling capabilities and data capture for cyber and casualty catastrophe risks are key focus areas.

Concentration of Property & Casualty business insurance risk

The Group defines concentration risk in the P&C business as the risk of exposure to increased losses associated with inadequately diversified portfolios. Concentration risk for a property and casualty insurer may arise due to a concentration of business written within a geographical area or of underlying risks covered.

Tables 1.a and 1.b show the Group's concentration of risk within the P&C business by region and line of business based on direct written premiums before reinsurance. P&C premiums ceded to reinsurers (including retrocessions) amounted to USD 8.6 billion and USD 7.8 billion for the years ended December 31, 2020 and 2019, respectively. Reinsurance programs are managed on a global basis, and therefore, the net premium after reinsurance is monitored on an aggregated basis.

Risk review (continued)

Audited

Table 1.a

Property & Casualty business – Direct written premiums and policy fees by line of business – current period

in USD millions, for the year ended December 31, 2020	Motor	Property	Liability	Special lines	Worker injury	Total
Europe, Middle East & Africa	4,162	4,842	2,278	2,154	344	13,781
North America	1,565	5,933	2,914	2,276	2,496	15,185
Other regions	1,683	1,462	420	1,256	141	4,961
Total	**7,409**	**12,237**	**5,612**	**5,686**	**2,981**	**33,926**

Table 1.b

Property & Casualty business – Direct written premiums and policy fees by line of business – prior period

in USD millions, for the year ended December 31, 2019	Motor	Property	Liability	Special lines	Worker injury	Total
Europe, Middle East & Africa	4,050	4,328	2,005	2,009	329	12,722
North America	1,499	5,126	2,719	2,361	2,684	14,389
Other regions	1,673	1,573	386	1,865	144	5,641
Total	**7,222**	**11,027**	**5,110**	**6,236**	**3,158**	**32,752**

Analysis of sensitivities for Property & Casualty business risks

Tables 2.a and 2.b show the sensitivity of net income before tax and the sensitivity of net assets, using the Group effective income tax rate, as a result of adverse development in the net loss ratio by one percentage point. The sensitivities do not indicate a probability of such an event and do not consider any non-linear effects of reinsurance. Based on the assumptions applied in the sensitivity analysis in tables 2.a and 2.b, each additional percentage-point increase in the loss ratio would have a linear impact on net income before tax and net assets. The Group also monitors insurance risk by evaluating extreme scenarios, taking into account the non-linear effects of reinsurance contracts.

Table 2.a

Insurance risk sensitivity for the Property & Casualty business – current period

in USD millions, for the year ended December 31, 2020	Europe, Middle East & Africa	North America	Asia Pacific	Latin America	Total
+1% in net loss ratio					
Net income before tax	(123)	(98)	(24)	(18)	(264)
Net assets	(94)	(75)	(19)	(13)	(201)

Table 2.b

Insurance risk sensitivity for the Property & Casualty business – prior period

in USD millions, for the year ended December 31, 2019	Europe, Middle East & Africa	North America	Asia Pacific	Latin America	Total
+1% in net loss ratio					
Net income before tax	(115)	(96)	(24)	(22)	(256)
Net assets	(88)	(73)	(19)	(16)	(196)

Risk review (continued)

Audited

Life insurance risk

The risks associated with life insurance include:

Life liability risk

- Mortality risk – when, on average, the death incidence among policyholders is higher than expected
- Longevity risk – when, on average, annuitants live longer than expected
- Morbidity risk – when, on average, the incidence of sickness or disability among policyholders is higher or recovery rates from disability are lower than expected

Life business risk

- Policyholder behavior risk – on average, policyholders discontinue or reduce contributions, or withdraw benefits prior to the maturity of contracts at a rate that is different from expected
- Expense risk – expenses incurred in acquiring and administering policies are higher than expected
- New business risk – volumes of new business are insufficient to cover fixed acquisition expenses

Market risk

- Market risk – the risk associated with the Group's balance sheet positions where the value or cash flow depends on financial markets, which is analyzed in the 'market risk, including investment credit risk' section

Credit risk

- Credit risk – the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations, which is analyzed in the 'market risk, including investment credit risk' and 'other credit risk' sections

Management of Life business insurance risk

The Group's Life underwriting results are based on the assumptions relating to life insurance risks. The actual experience may differ to that expected at the time of writing the business. For example, mortality could be either higher or lower than expected due to an unexpectedly harsh or benign flu season.

To understand the potential impact of experience differing from expected, Zurich uses models to perform sensitivity analyses. The impact of changing the assumptions is considered under different scenarios across the risk types and products. Changes relating to absolute level and trend development in assumptions are considered by product category. For example, Zurich looks at the impact of an increase or decrease in morbidity rates for protection products or changes in the level and trend of longevity for annuity products. These analyses assist in understanding how sensitive the business is to changes in various assumptions and where there are benefits of having a diversified portfolio of risks and products. Changes in the same assumption can have a positive impact on one product and a negative impact on another. For example, people living longer than expected may have a positive impact on policies that offer life cover, as claims are then paid later than expected, but could have a negative impact on annuity products as payments are made for longer than expected. At Zurich, the life liability risks are managed through established processes with minimum requirements described in Group policy manuals. The Group's scenario modeling for COVID-19 also included assessment of the Life insurance risks.

The Group has local product development committees and a Group-level committee to analyze potential new life products that could significantly increase or change the nature of the risks or introduce new risks. The Group regularly reviews the continued suitability and the potential risks of existing life products open to new business to ensure sustainability of the business.

Product pricing involves setting assumptions relating to life insurance risks and policyholder behavior. Local teams have responsibility for the pricing of the products in line with the experience and emerging trends observed in each market. The emerging experience is regularly monitored and compared against expected. Where permitted, premiums are adjusted for factors such as age, gender and smoker status to reflect the corresponding risks. Policy terms and conditions and disclosure requirements are designed to mitigate the risk arising from non-standard and unpredictable risks that could result in severe financial loss.

The underwriting process forms an important part of risk management and risk selection for life insurance risks. This process is supported through setting minimum standards in Group policy manuals and providing support through additional underwriting guidelines.

Risk review (continued)

Audited

Where required and appropriate, life insurance risks are also managed using reinsurance.

Unit-linked products are designed to reduce much of the market and credit risk associated with the Group's traditional business offerings. Risks that are inherent in these products are largely passed on to the policyholder, although a portion of the Group's management fees is linked to the value of funds under management, and hence is at risk if fund values decrease. Contracts may have minimum guaranteed death benefits where the sum at risk depends on the fair value of the underlying investments. Other life insurance liabilities include traditional life insurance products, such as protection and life annuity products.

Protection products (including disability products) provide benefits linked to policyholders' life and health and carry mortality, longevity and morbidity risk, as well as market and credit risk. Changes in medical treatments and lifestyle changes are among the most significant factors that could result in earlier or more claims than expected or customers claiming for longer than expected. Disability, when defined in terms of the ability to perform an occupation, could also be affected by adverse economic conditions. This impact could come through, for example, an increase in claims relating to mental health conditions triggered by an economic downturn.

In the life annuity business, the benefits are often paid to the customer either for a selected number of years or, more often, until they die. Therefore, people living longer than expected can have material impact on these policies. Medical advances and improved social conditions that lead to increased longevity are a significant insurance risk for these products. Annuitant (beneficiary) mortality assumptions include allowance for future mortality improvements. The trends in mortality improvements are monitored to ensure that changes in experience are considered. The exposure to longevity risk at a Group level is measured regularly and compared against the limit set by the Group.

The Group is exposed to risks posed by policyholder behavior and fluctuating expenses. These are mitigated by designing products that, as closely as possible, match revenue and expenses associated with the contract.

The Group is also exposed to investment and surrender risks related to bank-owned life insurance contracts sold in the U.S. These risks have reduced significantly in recent years as several have switched into less risky investment divisions. See heading 'other contracts' in note 7 of the consolidated financial statements for additional information.

Lower interest rates have led to an increase in both Life business risks and Life liability risks (especially longevity risk).

Furthermore, interest rate guarantees (with concentration in traditional, guaranteed business in Germany, Switzerland and Italy and variable annuity business in the U.S. containing minimum guaranteed death benefits) expose Zurich to financial losses that may arise as a result of adverse movements in interest rates. These guarantees are managed through a combination of asset-liability management and hedging.

The Group has a dynamic hedging strategy to reduce the investment risk associated with the closed book of variable annuitants written by its U.S. subsidiary Zurich American Life Insurance Company. This exposure has fallen substantially as a result of several policy buy-back programs since 2015.

Diversification across regions and businesses between unit-linked and other business, including protection and life annuity products, as shown in table 3 below, contributes to reducing the impacts of the risks associated with the Life business described above.

Concentration of Life business insurance risk

The Group defines concentration risk in the life business as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations. Concentration risk for a life insurer may arise with respect to investments in a geographical area, economic sector, or individual issuers, or due to a concentration of business written within a geographical area, of a policy type, or of underlying risks covered.

Observing best-estimate assumptions on cash flows related to benefits of insurance contracts gives some indication of the size of the exposure to risks and the extent of risk concentration. Table 3 shows the Group's concentration of risk within Life by region and line of business based on reserves for life insurance on a net of reinsurance basis. The life insurance reserves also include policyholder surplus reserves with a loss absorbing capacity[1], predominantly in Germany in the amount of USD 12.0 billion in 2020 (2019: USD 9.4 billion) and in the UK in the amount of USD 0.6 billion in 2020 (2019: USD 0.5 billion). The Group's exposure to life insurance risks varies significantly by geographic region and line of business and may change over time. See note 8 of the consolidated financial statements for additional information on reserves for insurance contracts.

1 Policyholder surplus reserves with loss-absorbing capacity refer to funds allocated to the policyholders that can be used by the shareholders, which, under certain conditions, may require regulatory approval.

Risk review (continued)

Audited

Table 3

Reserves, net of reinsurance, by region

in USD millions, as of December 31	Unit-linked insurance contracts		Other life insurance liabilities		Total reserves	
	2020	2019	**2020**	2019	**2020**	2019
Life						
Europe, Middle East & Africa	50,476	46,919	90,470	81,372	140,945	128,291
of which:						
United Kingdom	15,934	16,371	4,018	3,786	19,952	20,157
Germany	22,016	19,001	43,235	38,511	65,251	57,512
Switzerland	936	776	18,491	17,456	19,426	18,232
Italy	4,163	2,709	6,859	5,348	11,023	8,057
Ireland	1,315	1,885	2,451	2,235	3,766	4,121
Spain	676	655	12,802	11,773	13,478	12,428
Zurich International	4,982	5,129	352	220	5,334	5,349
Rest of Europe, Middle East & Africa	453	392	2,262	2,043	2,715	2,435
North America	10,983	10,253	1,235	1,035	12,218	11,288
Asia Pacific	697	598	4,740	4,311	5,437	4,908
Latin America	13,740	15,093	5,984	5,826	19,725	20,919
Group Reinsurance	–	–	11	5	11	5
Eliminations	–	–	(15)	(12)	(15)	(12)
Subtotal	75,896	72,863	102,425	92,537	178,321	165,399
Other businesses	**5,261**	**4,821**	**10,371**	**9,940**	**15,632**	**14,761**
Total	**81,157**	**77,684**	**112,796**	**102,477**	**193,953**	**180,160**

Reinsurance for Property & Casualty and Life businesses

The Group's objective in purchasing reinsurance is to provide market-leading capacity for customers while protecting the balance sheet, supporting earnings volatility management, and achieving capital efficiency. The Group follows a centralized reinsurance purchasing strategy for both P&C and Life, and bundles programs, where appropriate, to benefit from diversification and economies of scale. In support of the Group's empowerment-based management model and to align risk-bearing capacities between the Group and individual country operations, internal reinsurance applies to all externally reinsured lines of business. In addition, to actively manage and reduce potential claims-recovery risks on facultative cessions and to support the strategy on operational excellence, the Group started to tailor specific facultative property and casualty reinsurance facilities.

The Group structures and aligns its external reinsurance protection to its capital position to achieve an optimal risk-return ratio. This includes participation in the underlying risks through self-retentions. The Group manages its central reinsurance purchasing according to these principles. The cession rate for P&C was 24.2 percent (14.4 percent excluding captives, unaudited) as of December 31, 2020 and 23.0 percent (13.5 percent excluding captives, unaudited) as of December 31, 2019. The cession rate for Life was 8.8 percent as of December 31, 2020 and 8.0 percent as of December 31, 2019.

The Group uses traditional and collateralized reinsurance markets to protect itself against extreme single events, multiple event occurrences across regions, or increased frequency of events. Specifically, to protect the Group against man-made and natural catastrophe scenarios per event, Zurich arranges an annual aggregate global cover as illustrated in the graph on the next page.

The Group participates in the underlying risks through its retention and through its co-participation in excess layers. The natural catastrophe reinsurance covers are on a loss-occurrence basis except the global aggregate catastrophe cover, which operates on an annual aggregate basis. The in-force natural catastrophe covers renew annually, with the exception of the global catastrophe cover, which renewed on January 1, 2019, for a three-year term.

In addition to these covers, the Group purchases several regional catastrophe covers, entertains a bilateral risk swap, and various line of business-specific risk treaties. These covers are reviewed continuously and are subject to change going forward.

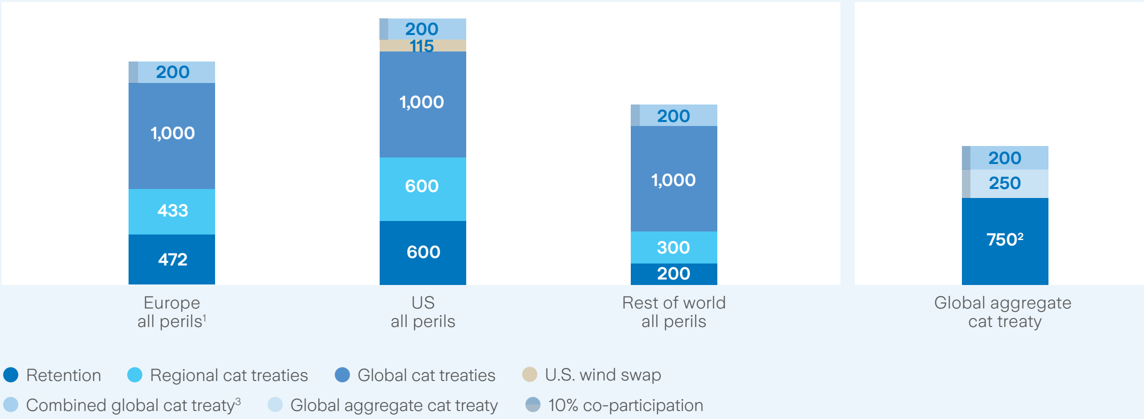
To complement existing treaties, the Group purchases catastrophe reinsurance specific to life insurance for its exposure to natural and man-made catastrophes.

Risk review (continued)

Audited

2020 Group catastrophe reinsurance protection

in USD millions, as of December 31, 2020



1 Europe cat treaty calculated with EUR/USD exchange rate as of July 31, 2020.
2 Franchise deductible of USD 25 million, i.e., losses greater than USD 25 million count toward the erosion of the retention (annual aggregate deductible).
3 This USD 200 million cover can be used only once, either for aggregated losses or for an individual occurrence or event.

Audited

Market risk, including investment credit risk

Market risk is the expected loss of value due to changes in financial market conditions given a certain likelihood of these changes. Risk factors include:

- Equity market prices
- Real estate market prices
- Interest rate risk
- Credit and swap spread changes
- Defaults of issuers
- Currency exchange rates

The Group manages the market risk of assets relative to liabilities on an economic total balance sheet basis. This is done to achieve the maximum risk-adjusted excess return on assets relative to the liability benchmark, while taking into account the Group's risk tolerance and local regulatory constraints.

The Group has policies and limits to manage market risk and keep its strategic asset allocation in line with its risk capacity. Zurich centrally manages certain asset classes to control aggregation of risk and provides a consistent approach to constructing portfolios and selecting external asset managers. It diversifies portfolios, investments and asset managers, and regularly measures and manages market risk exposure. The Group has set limits on concentration of investments in single issuers and certain asset classes, as well as by how much asset interest rate sensitivities can deviate from liability interest rate sensitivities. The Group regularly reviews its capacity to hold illiquid investments.

The Asset/Liability Management Investment Committee reviews and monitors the Group strategic asset allocation and tactical boundaries, and monitors Group asset/liability exposure. The Group oversees the activities of local asset/liability management investment committees and regularly assesses market risks at both Group and local business levels. The economic effect of potential extreme market moves is regularly examined and considered when setting the asset allocation.

Risk assessment reviews include the analysis of the management of interest rate risk for each major maturity bucket and adherence to the aggregate positions with risk limits. The Group applies processes to manage market risks and to analyze market risk hotspots. Actions to mitigate risks are taken, if necessary, to manage fluctuations affecting asset/liability mismatch and risk-based capital.

The Group may use derivative financial instruments to mitigate market risks arising from changes in currency exchange rates, interest rates and equity prices, from credit quality of assets, and from commitments to third parties. The Group enters into derivative financial instruments mostly for economic hedging purposes and, in limited circumstances, the instruments may also meet the definition of an effective hedge for accounting purposes.

In compliance with Swiss insurance regulation, the Group's policy prohibits speculative trading in derivatives, meaning a pattern of so-called 'in-and-out trading' activity without any reference to an underlying position. The Group addresses the risks arising from derivatives through a stringent policy that requires approval of a derivative program before transactions are initiated, and by subsequent regular monitoring by Group Risk Management of open positions and annual reviews of derivative programs.

For more information on the Group's investment result, including impairments and the treatment of selected financial instruments, see note 6 of the consolidated financial statements. For more information on derivative financial instruments and hedge accounting, see note 7 of the consolidated financial statements.

Risk review (continued)

Audited

Risk from equity securities and real estate

The Group is exposed to risks from price fluctuations on equity securities and real estate. These could affect the Group's liquidity, reported income, economic surplus and regulatory capital position. Equity risk exposure includes common stocks, including equity unit trusts, private equity, common stock portfolios backing participating-with-profit policyholder contracts, and equities held for employee benefit plans. Exposure to real estate risk includes direct holdings in property and property company shares and funds. Returns on unit-linked contracts, whether classified as insurance or investment contracts, may be exposed to risks from equity and real estate, but these risks are borne by policyholders. However, the Group is indirectly exposed to market movements from unit-linked contracts with respect to both earnings and economic capital. Market movements affect the amount of fee income earned when the fee income level is dependent on the valuation of the asset base. Therefore, the value of in-force business for unit-linked business can be negatively affected by adverse movements in equity and real estate markets.

The Group manages its risks related to equity securities and real estate as part of the overall investment risk management process, and applies limits as expressed in policies and guidelines. Specifically, Zurich limits holdings in equities, real estate and alternative investments. To realize an optimal level of risk diversification, the strategy for equities is defined through a composite of market benchmark indices. The Group has the capability and processes in place to change the exposure to key equity markets through the use of derivatives or purchase or sale of securities within a short time frame.

For additional information on equity securities and investment property, see note 6 of the consolidated financial statements.

Risk from interest rates and credit spreads

Interest rate risk is the risk of an adverse economic impact resulting from changes in interest rates, including changes in the shape of yield curves. Yield curve changes affect the value of interest rate sensitive investments and derivatives as well as the fair value of insurance liabilities. Other balance sheet items such as liability investment contracts, debt issued by the Group, commercial and residential mortgages, employee benefit plans, loans and receivables are also affected.

The Group manages credit spread risk, which describes the sensitivity of the values of assets and liabilities due to changes in the level or the volatility of credit spreads, over the risk-free interest rate yield curves. Movements of credit spreads are driven by several factors including changes in expected default probability, default losses, risk premium, liquidity and other effects.

Returns on unit-linked contracts, whether classified as insurance or investment contracts, are at the risk of the policyholder; however, the Group is exposed to fluctuations in interest rates and credit spreads insofar as they affect the amount of fee income earned if the fee income level is dependent on the valuation of the asset base.

Risk review (continued)

Audited

Analysis of market risk sensitivities for interest rate, equity and credit spread risks

Group investment sensitivities

The gross economic market risk sensitivities of the fair value of IFRS Group investments before tax as of 2020 was a negative USD 13.6 billion (negative USD 10.9 billion as of 2019) for a 100-basis-points (bps) increase in interest rate. For a 100 bps decrease in interest rate, the sensitivity was USD 16.9 billion in 2020 (USD 12.7 billion as of 2019). For a 10 percent decline in equity market, Group investments dropped in value by USD 1.3 billion in 2020 compared with USD 1.3 billion as of 2019. A 100 bps increase in credit spreads resulted in a decrease of USD 6.8 billion in 2020 compared with USD 5.7 billion as of 2019.

The following describes limitations of the Group investment sensitivities. Group sensitivities show the effects of a change of certain risk factors, while other assumptions remain unchanged. The interest rate scenarios assume a parallel shift of all interest rates in the respective currencies. They do not take into account the possibility that interest rate changes might differ by rating class; these are disclosed separately as credit spread risk sensitivities. The sensitivity analysis is based on economic assets, and not on shareholders' equity or net income as set out in the consolidated financial statements. The sensitivities only cover Group investments, not insurance or other liabilities. The equity market scenarios assume a concurrent movement of all stock markets. The sensitivity analysis does not take into account actions that might be taken to mitigate losses. Actions may involve changing the asset allocation, for example through selling and buying assets. The sensitivities do not indicate a probability of such events occurring in the future. They do not necessarily represent the Group's view of expected future market changes.

In addition to the gross sensitivities, management uses sensitivities and stress scenarios to assess the impact of market movements on the Group's net assets. For more information on sensitivities see Group economic net asset sensitivities (unaudited), below.

Group economic net asset sensitivities

The following section presents the sensitivities of Group economic net assets under SST assumptions with respect to certain standard financial market scenarios.

The net asset impact – the difference between the impact on Group investments and liabilities – represents the economic risk related to changes in market risk factors that the Group faces. Tables 4, 5 and 6 show the estimated economic market risk sensitivities of the net asset impact. Positive values represent an increase in the net assets, and values in parentheses represent a decrease. Mismatches in changes in value of assets relative to liabilities represent an economic risk to the Group.

In determining the sensitivities, investments and liabilities are fully re-valued under the given scenarios. Each instrument is re-valued separately, taking the relevant product features into account. Non-linear valuation effects, where they exist, are reflected in the calculations. The sensitivities are shown before tax. They do not include the impact of transactions within the Group.

The basis of the presentation for tables 4, 5, and 6 is an economic valuation represented by the fair value of Group investments. IFRS insurance liabilities are discounted at risk-free market rates to reflect the present value of insurance liability cash flows and other liabilities, for example, own debt. The Group uses FINMA prescribed risk-free curves for discounting and the shocks applied follow the SST conventions. In the sensitivities, own debt does not include subordinated debt, which Zurich considers available to protect policyholders in a worst-case scenario.

The basis of presentation for the Life business to financial market movements uses replicating portfolios calibrated according to the methodology and cashflow models approved by FINMA. The replicating portfolios are portfolios of assets that replicate the cash flows or present values of the life insurance liabilities under stochastic scenarios from the embedded value models. They are calibrated to match dependencies of life insurance liabilities on developments in the financial markets, in respect of interest rates, equity and property. The options and guarantees of the underlying life insurance liabilities are captured through the inclusion of options in the replicating portfolios.

Sensitivities are shown split by segment and for SST core capital net of minority interest. Rest of the business includes Farmers, Group Finance and Operations and Non-Core Businesses.

Risk review (continued)

Analysis of economic sensitivities for interest rate risk

Table 4 shows the estimated net impact before tax of a 100-basis-point (bps) increase or decrease in yield curves after consideration of hedges in place, as of December 31, 2020 and 2019.

Economic interest rate sensitivities*

Table 4

in USD millions, as of December 31	2020	2019**
100 bps increase in the interest rate yield curves		
Property & Casualty	(71)	(76)
Life	(337)	(245)
Rest of the business	(237)	(110)
SST core capital net of minority interest	(579)	(358)
100 bps decrease in the interest rate yield curves		
Property & Casualty	(115)	(136)
Life	(259)	(1,073)
Rest of the business	686	172
SST core capital net of minority interest	278	(1,080)

Analysis of economic sensitivities for equity risk

Table 5 shows the estimated net impact before tax from a 10 percent decline in stock markets, after consideration of hedges in place, as of December 31, 2020 and 2019.

Economic equity price sensitivities*

Table 5

in USD millions, as of December 31	2020	2019**
10% decline in stock markets		
Property & Casualty	(617)	(598)
Life	(668)	(522)
Rest of the business	(119)	(81)
SST core capital net of minority interest	(1,398)	(1,196)

Analysis of economic sensitivities for credit spread risk

Table 6 shows the estimated net impact before tax from a 100 basis point increase in corporate credit spreads, as of December 31, 2020 and 2019. The sensitivities apply to all fixed-income instruments, excluding government, supranational and similar debt securities. For the Life business, the loss-absorbing capacity of liabilities for losses on credit spreads are not included, as they are not modeled in the replicating portfolios.

Economic credit spread sensitivities*

Table 6

in USD millions, as of December 31	2020	2019**
100 bps increase in credit spreads		
Property & Casualty	(1,727)	(1,630)
Life	(4,502)	(3,629)
Rest of the business	(565)	(522)
SST core capital net of minority interest	(6,619)	(5,663)

* Limitations of the economic sensitivities: same limitations apply for Group investment sensitivities, except for the above sensitivities, which are based on economic net assets including liability representation; neither the impact of the UK pension plan nor the volatility adjustment on the insurance liabilities have been considered.
** 2019 figures are restated based on the SST view and FINMA prescribed curves for discounting liabilities.

Risk review (continued)

Audited

Risks from defaults of counterparties

Debt securities

The Group is exposed to credit risk from third-party counterparties where the Group holds securities issued by those entities. The default risk is controlled by Group counterparty-concentration risk limits, keeping the size of potential losses to an acceptable level.

Table 7

Debt securities by rating of issuer

as of December 31	2020		2019	
	USD millions	**% of total**	USD millions	% of total
Rating				
AAA	36,411	22.5%	36,066	24.5%
AA	42,240	26.1%	37,062	25.1%
A	25,084	15.5%	22,812	15.5%
BBB	51,636	31.9%	44,918	30.5%
BB and below	5,802	3.6%	5,342	3.6%
Unrated	536	0.3%	1,308	0.9%
Total	**161,710**	**100.0%**	**147,507**	**100.0%**

Table 7 shows the credit risk exposure of debt securities, by credit rating. As of December 31, 2020, 96.1 percent of the Group's debt securities was investment grade and 22.5 percent was rated 'AAA.' As of December 31, 2019, 95.5 percent of debt securities was investment grade and 24.5 percent was rated 'AAA.'

Exposure level limits are in place and are based on default and recovery rates. Limits tighten progressively for lower-rated exposures. Where the Group identifies investments expected to trigger limit breaches, appropriate mitigating actions are implemented.

The risk-weighted average credit rating of the Group's debt securities portfolio is 'A–' in 2020, unchanged from 2019.

Debt securities – credit risk concentration by industry
in %, as of December 31

Government-related	**51%**
Industrial	**16%**
Financial institutions	**15%**
Securitized	**14%**
Utility	**3%**
Others	**1%**

Government-related	**49%**
Securitized	**17%**
Industrial	**15%**
Financial institutions	**14%**
Utility	**3%**
Others	**2%**

As of December 31, 2020, the largest concentration in the Group's debt securities portfolio was government related at 51 percent of all debt securities. In all other categories, a total of USD 29.5 billion (38 percent) was secured. As of December 31, 2019, 49 percent of the Group's debt portfolio was invested in government-related securities. In all other categories, a total of USD 30.2 billion (41 percent) was secured.

The second-largest concentration in the Group's debt securities portfolio is industrial, comprising investments mainly in consumer goods sectors, energy, transportation and capital goods.

In addition to debt exposure, the Group had loan exposures of USD 4.2 billion to the German central government or the German federal states as of December 31, 2020. The equivalent figure for December 31, 2020 was USD 4.1 billion. For more information, see the 'mortgage loans and other loans' section.

Risk review (continued)

Audited

Cash and cash equivalents

To reduce credit concentration, settlement and operational risks, the Group limits the amount of cash that can be deposited with a single counterparty. The Group also maintains an authorized list of acceptable cash counterparties.

Cash and cash equivalents amounted to USD 11.1 billion as of December 31, 2020 and USD 7.9 billion as of December 31, 2019. The risk-weighted average rating of the overall cash portfolio was 'A' as of December 31, 2020 and 'A–' as of December 31, 2019. The ten largest bank exposures represent 75 percent of the total, whose risk-weighted average rating was 'AA-' as of December 31, 2020 and 'A' as of December 31, 2019.

Mortgage loans and other loans

Mortgage loans amounted to USD 5.8 billion as of December 31, 2020 and USD 5.9 billion as of December 31, 2019. The Group's largest mortgage loan portfolios are held in Switzerland (USD 3.2 billion) and in Germany (USD 1.7 billion); these are predominantly secured against residential property but also include mortgages secured by commercial property. The Group invests in mortgages in the U.S. (USD 0.5 billion); these are mainly participations in large mortgage loans secured against commercial property.

The credit risk arising from other loans is assessed and monitored together with the debt securities portfolio. Out of the USD 8.6 billion reported loans as of December 31, 2020, 57 percent are government related, of which 85 percent are to the German central government or the German federal states. As of December 31, 2020, USD 4.1 billion were rated as 'AAA' (48 percent) compared with 4.5 billion as of December 31, 2019; USD 1.8 billion as 'AA' (21 percent) compared with 1.6 billion as of December 31, 2019; USD 1.4 billion as 'A' (16 percent) compared with 0.3 billion as of December 31, 2019; USD 1.0 billion as 'BBB' and below (12 percent) compared with 1.3 billion as of December 31, 2019; and USD 0.3 billion as unrated (3 percent) compared with 0.5 billion as of December 31, 2019.

Derivatives

The replacement value of outstanding derivatives represents a credit risk to the Group. These instruments include interest rate and cross-currency swaps, forward contracts and purchased options. A potential exposure could also arise from possible changes in replacement values. The Group regularly monitors credit risk exposures arising from derivative transactions. Outstanding positions with external counterparties are managed through an approval process embedded in derivative programs.

To limit credit risk, derivative financial instruments are executed with counterparties rated 'BBB' or higher as per Zurich's risk policy manual requirements. The Group's standard practice is to only transact derivatives with those counterparties for which the Group has in place an ISDA Master Agreement, with a Credit Support Annex. This mitigates credit exposures from over-the-counter transactions due to close-out netting and requires the counterparty to post collateral when the derivative position exceeds an agreed threshold. The Group further mitigates credit exposures from derivative transactions by using exchange-traded or centrally cleared instruments whenever possible.

Risk from currency exchange rates

Currency risk is the risk of loss resulting from changes in exchange rates. The Group operates internationally and therefore is exposed to the financial impact of changes in the exchange rates of various currencies. The Group's presentation currency is the U.S. dollar, but its assets, liabilities, income and expenses are denominated in many currencies, with significant amounts in euro, Swiss franc and British pound, and U.S. dollar. On local balance sheets a currency mismatch may cause a balance sheet's net asset value to fluctuate, either through income or directly through equity. The Group manages this risk by matching foreign currency positions on local balance sheets within prescribed limits. Residual local mismatches are reported centrally to make use of the netting effect across the Group. Zurich hedges these residual local mismatches within an established limit through a central balance sheet. For information on net gains/losses on foreign currency transactions included in the consolidated income statements, see note 1 of the consolidated financial statements. The monetary currency risk exposure on local balance sheets is considered immaterial.

Differences arise when functional currencies are translated into the Group's presentation currency, the U.S. dollar. The Group applies net investment hedge accounting to protect against the impact that changes in certain exchange rates might have on selected net investments.

Table 8 shows the total IFRS equity's sensitivity to changes in exchange rates for the main functional currencies to which the Group is exposed. Positive values represent an increase in the value of the Group's total equity. See notes 1, 3 and 7 of the consolidated financial statements for additional information on foreign currency translation and transactions.

Risk review (continued)

Audited

Sensitivity of the Group's total IFRS equity to exchange rate fluctuations

Table 8

in USD millions, as of December 31	2020	2019
10% increase in		
EUR/USD rate	363	382
GBP/USD rate	278	270
CHF/USD rate	599	529
BRL/USD rate	138	178
AUD/USD rate	355	308
Other currencies/USD rates	631	510

The sensitivities show the effects of a change of the exchange rates only, while other assumptions remain unchanged. The sensitivity analysis does not take into account management actions that might be taken to mitigate such changes. The sensitivities do not indicate a probability of such events occurring in the future. They do not necessarily represent Zurich's view of expected future market changes. While table 8 shows the effect of a 10 percent increase in currency exchange rates, a decrease of 10 percent would have the converse effect.

Other credit risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations. See section 'risks from defaults of counterparties' for market risk-related asset categories. The Group's exposure to other credit risk is derived from the following main categories of assets:

- Reinsurance assets
- Receivables

The Group's objective in managing credit risk exposures is to maintain them within parameters that reflect the Group's strategic objectives, and its risk appetite and tolerance. Sources of credit risk are assessed and monitored, and the Group has policies to manage specific risks within various subcategories of credit risk. To assess counterparty credit risk, the Group uses ratings assigned by external rating agencies, qualified third parties such as asset managers, and internal rating assessments. If external rating agencies' ratings differ, the Group generally applies the lowest, unless other indicators justify an alternative, which may be an internal credit rating.

The Group actively uses collateral to mitigate credit risks. Underlying credit risks are managed independently from the collateral. The Group has limits and quality criteria to identify acceptable letter of credit providers. Letters of credit enable Zurich to limit the risks embedded in reinsurance, captives, deductible programs, trade credit and surety.

The Group has counterparty limits, which are regularly monitored. Exposure to counterparties' parent companies and subsidiaries is aggregated to include reinsurance assets, investments, derivatives, and certain insurance products. Group aggregate concentration limits and relevant exception approvals are monitored in line with risk policy standards.

On-balance sheet exposures are the main source of credit risk. Off-balance sheet credit exposures are related primarily to certain insurance products, reinsurance and collateral used to protect underlying credit exposures on the balance sheet. The Group has no material amount of off-balance sheet exposures related to undrawn loan commitments as of December 31, 2020. See note 22 of the consolidated financial statements for undrawn loan commitments.

Risk review (continued)

Audited

Credit risk related to reinsurance assets

The Group's Corporate Reinsurance Security Committee oversees the credit quality of cessions and reinsurance assets. The Group typically only cedes new business to authorized reinsurers with a minimum rating of 'A–.' Of the exposure ceded to reinsurers that are rated below 'A–' or are not rated, 54 percent and 57 percent were collateralized as of December 31, 2020 and 2019, respectively. Of the exposure ceded to reinsurers that are rated below 'A–' or are not rated, 62 percent was ceded to captive insurance companies in 2020, and 65 percent in 2019.

Reinsurance assets included reinsurance recoverables (the reinsurers' share of reserves for insurance contracts) of USD 25.6 billion and USD 22.8 billion, and receivables arising from ceded reinsurance of USD 1.5 billion and USD 1.5 billion as of December 31, 2020 and 2019, respectively, gross of allowance for impairment. Reserves for potentially uncollectible reinsurance assets amounted to USD 149 million as of December 31, 2020 and USD 119 million as of December 31, 2019. The Group's policy on impairment charges takes into account both specific charges for known situations (e.g., financial distress or litigation) and a general, prudent provision for unanticipated impairments.

Reinsurance assets in table 9 are shown before taking into account collateral such as cash or bank letters of credit and deposits received under ceded reinsurance contracts. Unsecured reinsurance assets shown are after deducting collateral. Bank issuing letters of credit for the benefit of Zurich are on average 'A' rated. The value of the collateral received amounts to USD 10.8 billion and USD 10.3 billion as of December 31, 2020 and 2019, respectively.

Table 9 shows reinsurance assets and unsecured reinsurance assets split by rating.

Table 9

Reinsurance assets and unsecured reinsurance assets by rating of reinsurer and captive

as of December 31	**2020**				2019			
	Reinsurance assets		**Unsecured reinsurance assets**		Reinsurance assets		Unsecured reinsurance assets	
	USD millions	**% of total**	**USD millions**	**% of total**	USD millions	% of total	USD millions	% of total
Rating								
AAA	37	0.1%	37	0.2%	6	–	6	–
AA	8,382	31.1%	7,445	45.9%	7,084	29.3%	6,309	45.7%
A	11,851	43.9%	5,644	34.8%	10,957	45.4%	4,871	35.3%
BBB	3,094	11.5%	1,385	8.5%	2,356	9.8%	1,095	7.9%
BB	411	1.5%	192	1.2%	335	1.4%	195	1.4%
B and below	204	0.8%	45	0.3%	256	1.1%	29	0.2%
Unrated	3,004	11.1%	1,485	9.1%	3,163	13.1%	1,308	9.5%
Total	**26,983**	**100.0%**	**16,233**	**100.0%**	**24,157**	**100.0%**	**13,812**	**100.0%**

Credit risk related to receivables

The largest amount of the Group's credit risk exposure to receivables is related to third-party agents, brokers and other intermediaries. It arises where premiums are collected from customers to be paid to the Group, or to pay claims to customers on behalf of the Group. The Group has policies and standards to manage and monitor credit risk related to intermediaries. The Group requires intermediaries to maintain segregated cash accounts for policyholder money. The Group also requires that intermediaries satisfy minimum requirements of capitalization, reputation and experience, and provide short-dated business credit terms.

Receivables that are past due, but not impaired, are regarded as unsecured; however, some of these receivable positions may be offset by collateral. The Group reports internally on Group past-due receivable balances and strives to keep the balance of past-due positions as low as possible, while taking into account customer satisfaction.

Receivables from ceded reinsurance are part of reinsurance assets and managed accordingly. See notes 15 and 24 of the consolidated financial statements for additional information on receivables.

Risk review (continued)

Audited

Operational risk

Operational risk is the risk of financial loss or gain, adverse reputational, legal or regulatory impact, resulting from inadequate or failed processes, people, systems or from external events, including external fraud, catastrophes, or failure in outsourcing arrangements. Zurich has a framework to identify, assess, manage, monitor, and report operational risk within the Group. Within this framework, the Group:

- Uses a scenario-based approach to assess, model and quantify the capital required for operational risk for business units under extreme circumstances. This approach allows information to be compared across the Group and highlights the main scenarios contributing to the capital required for Zurich's internal model.
- Documents and reviews operational events exceeding a threshold determined by Zurich's risk policy manuals. Remedial action is taken to avoid the recurrence of such operational events.
- Conducts risk assessments where operational risks are identified for key business areas. Risks identified and assessed above a certain threshold must have a risk response. Risk mitigation plans are documented and tracked on an ongoing basis. In the assessments, the Group uses sources of information such as the Total Risk Profiling™ process, internal control assessments, and audit findings, as well as scenario modeling and operational event data.

The Group has specific processes and systems in place to focus on high-priority operational matters such as managing information security and business resilience (see sub-section 'digital and resilience risk'), as well as combating fraud.

Preventing, detecting and responding to fraud are embedded in Zurich's business processes. Both claims and non-claims fraud are included in the common framework for assessing and managing operational risks. For Zurich's internal model calculations, claims fraud is part of insurance risk and non-claims fraud is part of operational risk.

Risk management and internal controls

The Group considers internal controls to be key for managing operational risk. The Board has overall responsibility for the Group's risk management and internal control frameworks. The objectives of the Group's internal control system are to provide reasonable assurance that Zurich's financial statements and disclosures are materially correct, support reliable operations, and to ensure legal and regulatory compliance. The internal control system is designed to mitigate rather than eliminate risks, which could impact the achievement of business objectives. Key controls are assessed for their design and operating effectiveness.

The Group promotes risk awareness and understanding of controls through communication and training. Risk management and internal control systems are designed at Group level and implemented Group-wide.

Management, as the first line of defense, is responsible for identifying, evaluating and managing risk, and designing, implementing and maintaining internal controls. Key processes and controls in the organization are subject to review and challenge by management, Group Risk Management, Group Compliance and Group Audit. Control issues of Group-level significance and associated mitigation actions are reported regularly to the Audit Committee of the Board. The Risk and Investment Committee of the Board reviews the effectiveness of the Group's risk management system, including the Group's risk tolerance and enterprise-wide risk governance framework, in accordance with the charter for each committee.

The Group's Disclosure Committee, chaired by the Head of Group Financial Accounting and Reporting, assesses the content, accuracy and integrity of the disclosures and the effectiveness of the internal controls over financial reporting. The conclusions result in a recommendation to the Group Chief Financial Officer to release the financial disclosures to the Audit Committee of the Board, who may then challenge further. The Board reviews and approves the announcement of the results and the annual report before they are made public.

Group audit and external auditors also regularly report observations, conclusions and recommendations that arise as a result of their independent reviews and testing of internal controls over financial reporting and operations.

Risk review (continued)

Audited

Liquidity risk

Liquidity risk is the risk that an entity within the Group may not have sufficient liquid financial resources to meet its obligations when they fall due or would have to incur excessive costs to do so. Zurich's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under normal conditions and in times of stress. To achieve this, the Group assesses, monitors and manages its liquidity needs on an ongoing basis.

Group-wide liquidity management policies and specific guidelines govern how local businesses plan, manage and report their local liquidity and include regular stress tests for all major legal entities and branches within the Group. The stress tests use a standardized set of internally defined stress events, and are designed to provide an overview of the potential drain on liquidity if the Group had to recapitalize local balance sheets. Similar guidelines apply at the Group level, and detailed liquidity forecasts are regularly conducted, based on local businesses' input and the Group's forecasts. As part of its liquidity management, the Group maintains sufficient cash and cash equivalents and high-quality, liquid investment portfolios to meet outflows under expected and stressed conditions.

The Group also maintains internal liquidity sources that cover the potential liquidity needs within the Group, including those that might arise in times of stress. The Group takes into account the amount, availability and speed at which these sources can be accessed. The Group has access to diverse funding sources to cover contingencies, including asset sales, external debt issuance and making use of committed borrowing facilities or letters of credit. The Group maintains a range of maturities for external debt securities. A potential source of liquidity risk is the effect of a downgrade of the Group's credit rating. This could affect the Group's commitments and guarantees, potentially increasing liquidity needs. This risk and mitigating actions that might be employed are assessed on an ongoing basis within the Group's liquidity framework.

The Group regularly analyzes the liquidity of the investment assets and ensures that the liquidity of assets stays in line with liquidity requirements. In 2020, the Group's holdings in illiquid assets were within its capacity.

For more information on debt obligation maturities, see note 18 of the consolidated financial statements, and for information on commitments and guarantees, see note 22 of the consolidated financial statements.

The Group's ongoing liquidity monitoring includes regular reporting to the executive management and quarterly reporting to the Risk and Investment Committee of the Board, covering aspects such as the Group's actual and forecast liquidity, possible adverse scenarios that could affect the Group's liquidity and possible liquidity needs from the Group's main subsidiaries, including under conditions of stress.

For more information on the Group's other financial liabilities, see note 16 of the consolidated financial statements. See note 6 of the consolidated financial statements for information on the maturity of debt securities.

The Group has committed to contribute capital to subsidiaries and third parties that engage in making investments in direct private equity and private equity funds. Commitments may be called by the counterparty over the term of the investment (generally three to five years) and must be funded by the Group on a timely basis. See note 22 of the consolidated financial statements.

Risk review (continued)

Audited

Strategic risk and risks to the Group's reputation

Strategic risk

Zurich defines strategy as the long-term plan of action designed to allow the Group to achieve its goals and aspirations based on Zurich's purpose and values.

Strategic risks can arise from:

- Inadequate risk-reward assessment of strategic plans
- Improper execution of strategic plans
- Unexpected changes to underlying assumptions, including on the external environment

The Group works to manage risks associated with strategic business decisions through its risk assessment processes and tools, including the Total Risk Profiling™ (TRP) process. As part of the annual assessment of strategic risks, the Executive Committee (ExCo) assesses potential risks from both external and internal factors, looking at 2020 and beyond. These include potential mid-term implications of the COVID-19 pandemic on the future macroeconomic, financial market, customer and operating environments. The ExCo members define actions to respond as appropriate and review changes to the key risks and their status of actions at least quarterly.

The Group evaluates the risks of merger and acquisition (M&A) transactions both from a quantitative and a qualitative perspective. The Group conducts risk assessments of M&A transactions to evaluate risks specifically related to integrating acquired businesses.

Risks to the Group's reputation

Risks include acts or omissions by the Group or any of its employees that could damage the Group's reputation or lead to a loss of trust among its stakeholders. Every risk type has potential consequences for Zurich's reputation. Effectively managing each risk type supports preventing adverse reputational outcomes.

The Group aims to preserve its reputation by adhering to applicable laws and regulations, by following the core values and principles of the Group's code of conduct that promote integrity and good business practice, and by living up to its sustainability commitments. The Group centrally manages certain aspects of reputation risk, for example, communications, through functions with the appropriate expertise. Potential risks to Zurich's reputation are included in its risk assessment processes and tools, including the TRP process.

Sustainability risk

Zurich's ambition is to be known as one of the most responsible and impactful businesses in the world. Trends like globalization, the mobility of talent and funds, shifting geopolitics, reskilling for a digital workplace, demographics, and climate change all pose immensely complex social issues.

Sustainability means doing business today in a way that safeguards the future of our company and our society. Sustainability risks and opportunities emanate both from effects that environmental, social and governance (ESG) challenges have on the company, as well as from how the company handles its positive or negative impact on ESG issues. To protect against financial and reputational impacts, both perspectives are included in the identification and assessment of sustainability issues.

Climate change, as one of the most complex risks facing society today, is intergenerational, international and interdependent. As a global insurer, Zurich faces risks from climate change and discloses its climate risk in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), part of the consolidated non-financial statements.

Sustainability topics associated with ESG challenges are also becoming more complex and interconnected as a result of these trends. Insurers are increasingly becoming agents of change and playing a more impactful role in addressing sustainability risk.

Zurich works with its customers and investee companies to ensure responsible and sustainable business practices while promoting best practices in managing ESG risks. The Group has policies in place that define the sustainability positions for which Zurich has no underwriting or investment appetite. Zurich continuously works to develop relevant products and services that help solve today's most pressing societal and environmental issues.

Risk review (continued)

Sustainability risk framework

To support the Group's businesses in applying its purpose and values as well as mitigating reputational risk impacts, Zurich has established a systematic and integrated approach to identifying, assessing and recommending action on potential risk and opportunity areas from a sustainability perspective across all the Group's activities, in particular in investment management and underwriting.

This is a three-step process:

- Issue identification: Identify relevant issues to be considered within the risk assessment process by monitoring channels such as media, social media, information from non-governmental organizations (NGOs) and Zurich's businesses.
- Risk assessment: Assess issues related to public commitments, the role of insurance underwriting, market exposure and materiality. The Group CEO approves position statements, recommended business actions, and reputational management considerations.
- Implementation: Implement mitigation actions, including managing reputational impacts locally in the businesses. Mobilize expert support available across the Group and escalate as necessary, according to governance procedures.

Zurich applies these steps across portfolios based on stated thresholds and verified data. Wherever possible, for customers that are on the margins of Zurich's thresholds, Zurich engages and works together with customers to ensure responsible and sustainable business practices. This engagement may be short, but in some cases can be for a period of up to two years, depending on which part of the renewal cycle customers are in and the time required for them to demonstrate credible progress on ESG issues.

Clear roles and responsibilities, starting with the Zurich Insurance Group Ltd Board of Directors and including Zurich management, aim to ensure effective oversight and action with respect to climate change and other sustainability risks.

Zurich's Sustainability Leaders Council leads the ongoing implementation of our sustainability objectives and formulates and formalizes the integration of sustainability across businesses and functions. The Council comprises senior executives from across the Group and is chaired by the Group Head of Sustainability (as of January 31, 2021; before that by the Group Head of Public Affairs and Sustainability), reporting into the CEO EMEA and Bank Distribution.

Digital and resilience risk

Digital and technological advances have not only created a wide spectrum of benefits for society but also amplified the associated risks. Organizations are realigning their operations, forging new third-party relationships and putting data at the heart of their decision making and analysis. All of this is happening at a rapid pace and against a backdrop of an increasingly hostile cyber threat landscape. In order to succeed, organizations need to be able to assess and understand the risks inherent in this changing environment and ensure that they are managed appropriately.

Holistic and interdisciplinary approach

By applying a holistic approach to assessing digital trends, the Group provides new risk insights that enable Zurich to achieve a rapid and resilient digital transformation. In order to ensure effective governance and monitoring, ongoing proactive, pragmatic and solution-oriented approaches focus on risk and controls with a strong emphasis on enabling the business while safeguarding the enterprise from risks in the digital space.

Cyber and technology risk

The relevance of technological risks, such as cyber risk, is rapidly increasing across all data-driven industries. Exposure to these risks has grown in lockstep with the significant rise in digital services provided directly to customers and the increasing prevalence of digital ecosystems and cloud solutions in today's interconnected world. On a continuous basis, Zurich assesses and monitors exposure to defined information security and cyber risk scenarios through key risk indicators (KRIs) to effectively focus on actions and adequate resource allocation.

Risk review (continued)

Data risk

The strategic relevance of data as a business asset is rising at a rapid pace and the risks associated with data management are growing more and more prominent. Preventing risks such as data losses and privacy breaches and assessing and monitoring the potential misuse of data and losses triggered by failures in data management remain in focus. Specifically, appropriate governance of data for business purposes and decision-making processes, including automation, machine-learning techniques and other advanced technologies, are a priority. As Zurich strives to inspire confidence in a digital society with its data commitment, assurance on the ethical use of advanced technologies is provided from a risk management perspective for the protection and privacy of data of our customers and all other stakeholders.

Third-party and transformation risk

Outsourcing and the engagement with third parties introduces risks relevant to the delivery of our strategy, such as data loss or disclosure, disruption to critical customer services and regulatory compliance. Digitalization has accelerated the complexity and changes to the Group's third-party ecosystem. Zurich looks to address risks associated with third-party engagements along its supply and value chain. Applying a consistent Group-wide approach to outsourcing governance is among Zurich's key priorities.

Business resilience risk

Zurich, along with the rest of the insurance industry, is going through a period of transformation in order to meet changing customer expectations. In addition, increasing automation of processes, development of advanced analytics capabilities, and fragmented supply chains have contributed to an increasingly complex operating environment. In response to these challenges and to better protect the interests of our stakeholders, Zurich has continued to evolve its business resilience capability through a number of ongoing initiatives in relation to the protection and recovery of critical services and enhancing transparency around any associated risks. Zurich's response to COVID-19 to date has proven to be effective with critical business services maintained throughout the Group. Zurich continues to monitor the situation closely and adapt our response accordingly.

Digital policy – new insights and sustainability

Internal policies for managing digital risk are aligned to Zurich's sustainability strategy and are implemented by the businesses. Zurich aspires both to follow, and influence, public policy discourse on digital transformation and innovation risks. Zurich takes an active role in thought leadership for digital risk management across the industry and is committed to strengthening the link between digitalization and sustainability, supporting digital literacy to enable effective risk management. It is also endorsing the use of advanced technologies to make sure the Group's values are adhered to and observed.

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Executive message on sustainability

The path to sustainability.

“

As an insurer, we have a key role to play in supporting customers, employees, investors, communities, and the planet we share, by building resilience and serving their needs.

Alison Martin
CEO EMEA (Europe, Middle East & Africa) and Bank Distribution

Executive message on sustainability (continued)

During an unprecedented year of social and economic disruption, we have demonstrated our commitment to supporting a sustainable future. This commitment is at the heart of our new purpose: to create a brighter future together. As an insurer, we have a key role to play in supporting customers, employees, investors, communities, and the planet we share, by building resilience and serving their needs.

In 2020, we accelerated our delivery of the three pillars of our sustainability strategy: Climate Change, Work Sustainability, and Confidence in a Digital Society.

Tackling climate change

We have reduced our total CO2 emissions by 31 percent since 2015 (see chart below). We evolved our responsible investment strategy to become the first large institutional investor to prioritize the environmental and social goals of its impact investing, having already achieved the USD 5 billion impact portfolio target. Customer expectations for sustainable products are increasing and we listened to client demands by expanding our portfolio with new offerings, such as pensions and saving products aligned with environmental, social and governance (ESG) principles, as well as services that make electric vehicle ownership easier. In addition, we are also beginning to offer usage-based insurance for car owners to incentivize driving less, including piloting carbon offsetting as a value-added service for our motor customers. Meanwhile, we have scaled our renewable energy insurance for small businesses beyond our European markets into Latin America.

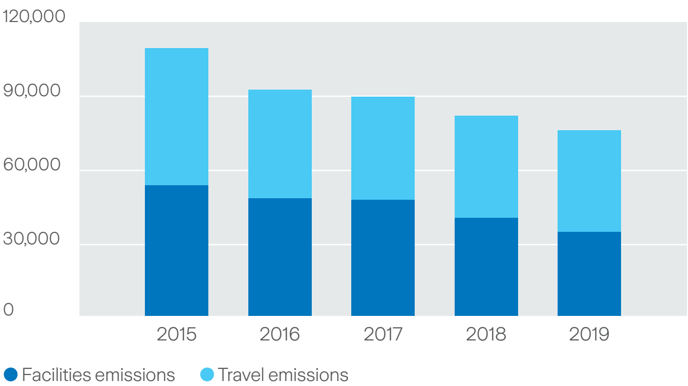
Making work sustainable

Throughout 2020, we prioritized well-being, accelerated development opportunities and embraced new working practices. We deployed internal talent mobility platforms that created fulfilling and impactful opportunities for our people and continued our commitment to providing new job opportunities through apprenticeships.

A connected world

To build confidence in a digital society, we continued enhancing our data privacy and information security practices. We strengthened business continuity, digital resilience and customer service during the COVID-19 pandemic, enabling employees and critical suppliers to work from home securely. We also defined and developed our Artificial Intelligence (AI) Assurance Framework to govern the ethical use of data and AI. We are now focusing on deploying this framework and operationalizing our ethical principles.

Absolute emissions
metric tons CO2e

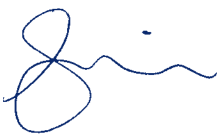


Toward a sustainable future

To make true progress towards a more sustainable future, businesses need to be transparent – and the disclosure of environmental impact is no exception. We are engaged in our public disclosures, and are supporting the harmonization of sustainability reporting more broadly through our recent commitment to the Stakeholder Capitalism Metrics, a set of ESG metrics and disclosures released by the World Economic Forum and its International Business Council (IBC). To track the impact of our actions, we are continuously enhancing our key performance indicators and strengthening our internal measurement reporting. We are also providing greater transparency on those actions, for example in our disclosures as per our commitment to adopt the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

Our people are rightfully proud of the external recognition of their efforts across multiple dimensions of sustainability; for example, we now rank No. 1 in the 2020 Dow Jones Sustainability Index (DJSI) for the insurance sector.

I am proud of the passion our people have for doing business in a sustainable way, and for the many achievements noted throughout this report and in our Sustainability Report 2020. Together, we have shown that – notwithstanding the unprecedented challenges of 2020 – there is cause to be optimistic for a brighter future.



Alison Martin
CEO EMEA (Europe, Middle East & Africa) and Bank Distribution

> While 2020 presented many challenges, it was also a year of great progress on our sustainability journey. Now more than ever before, it is critical to tackle present and future environmental, social and economic challenges.

Linda Freiner
Group Head of Sustainability

Non-financial statements

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We are including in our Annual Report information on a comprehensive set of 'non-financial' measures that we use to monitor and report information related to our four key stakeholder groups. The information is based on the requirements some of our subsidiaries and branches have had to follow since 2017, as stipulated by the Directive on the disclosure of non-financial and diversity information by certain large undertakings and groups (Directive 2014/95/EU). We believe that providing these metrics gives a more complete overview of our business, and shows how we monitor our effectiveness in these areas pertaining to social information and employees, customers, responsible investment, the environment, and our tax contributions. We have also used references to the Global Reporting Initiative (GRI) as an index to help our stakeholders find the information relevant to them throughout the Annual Report and on our Group website without adhering to the standards listed in the index in its entirety. PricewaterhouseCoopers AG performed limited assurance procedures on the indicators for social and environmental matters as well as those related to responsible investment as outlined in their independent assurance report at the end of this section.

The information contained within the consolidated non-financial statements is based on the consolidated results of the Group for the years ended December 31, 2020 and 2019. Amounts are rounded to the nearest million unless otherwise stated, with the consequence that the rounded amounts may not always add up to the rounded total. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts. This document should be read in conjunction with the stakeholders reports from the Group overview section of this Annual Report, and with the Sustainability Report 2020 which is available on www.zurich.com.

Task Force on Climate-related Financial Disclosures (TCFD) report

Zurich sees climate change as one of the biggest and most complex risks facing society today: it is intergenerational, international and interdependent. As a global insurer, Zurich faces risks from climate change and provides this disclosure as part of its commitment to adopt the recommendations of the Financial Stability Board's Task force on Climate Change-related Financial Disclosure (TCFD).

Governance of climate related risk

In line with its overall mandate to deliver sustainable shareholder value, the ultimate responsibility for climate risks resides with Zurich's Board. Clear roles and responsibilities, starting with the Zurich Insurance Group Ltd Board of Directors and its committees, aim to ensure effective oversight and action with respect to climate change and other sustainability risks. The Board and two of its committees oversee the handling of Zurich's climate change response. Based on the recommendations of the Governance, Nominations and Sustainability Committee (GNSC), the Board approves the Group's sustainability strategy and objectives as well as targets on ESG matters which have a material impact on business strategy, underwriting or business performance. The GNSC further oversees the Group's approach and conduct with regard to sustainability and was also involved in the Group's decision to join the Business Ambition for 1.5 degrees Celsius (°C), committing the Group to align its operations and investment portfolio to a 1.5°C future. The Risk and Investment Committee oversees Zurich's overall risk management framework and supports the Board to ensure sound risk and investment management for the Group.

The CEO EMEA and Bank Distribution is responsible for the Group's Sustainability strategy and objectives, including climate change. Climate risks can impact Zurich through its investing activities, underwriting activities and own operations. Accountability for delivery of key areas of Zurich's climate approach is assigned to the ExCo members with direct responsibility for these areas.

Zurich's Sustainability Leaders Council leads ongoing implementation of our sustainability objectives and formulates and formalizes the integration of sustainability across businesses and functions. The Council comprises senior executives from across the Group and is chaired by the Group Head of Sustainability (as of January 31, 2021; before that by the Group Head of Public Affairs and Sustainability), reporting into the CEO EMEA and Bank Distribution. The Chair of the Sustainability Leaders Council reports at least twice a year to the Group CEO and his direct reports and the GNSC on progress of the climate change-related internal initiatives. To accelerate Zurich's understanding of climate risk and ensure consistent management of this risk and implementation of our commitments to a climate-neutral economy, Zurich has established a cross-functional 1.5°C taskforce that reports into the council and is under the sponsorship of the Group Chief Underwriting Officer.

Climate strategy

Scientific consensus is that the impact of climate change effects on society will start to become even more material if global warming surpasses 1.5°C above pre-industrial levels. If climate change continues on its current trajectory beyond 2°C, those effects will become more difficult, costly and even impossible to fully mitigate. Climate change will affect Zurich's products, services and operations, creating new risks. But it will also create new opportunities. Understanding, managing and disclosing those climate impacts, as well as other drivers of exposure, is an important aspect of maintaining Zurich's long-term profitability.

Zurich's analysis suggests that the likelihood of missing the Paris Agreement's goal of keeping warming below 2°C is higher than achieving it. That is why Zurich is accelerating action to reduce climate risks by driving changes in how companies and people behave and supporting those most impacted. Zurich's dedication to limiting average global temperature rise to 1.5°C guides our climate strategy and has led us to commit to the goals of the Business Ambition for 1.5°C Pledge for our own operations and investment portfolio and become a founding member of the UN-convened Net-Zero Asset Owner Alliance.

TCFD report (continued)

As part of the Net-Zero Asset Owner Alliance, Zurich will seek to transition its investment portfolio to net-zero greenhouse gas (GHG) emissions by 2050, consistent with a maximum temperature rise of 1.5°C. This goal will be pursued through advocating for, and engaging on, corporate and industry action, as well as public policies, for a low-carbon transition of economic sectors in line with science and under consideration of associated social impacts. This commitment is made with the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met. While Zurich's investment portfolio provides some opportunities to redirect capital toward a climate-neutral economy via divestments, sector reallocations and increased investments in climate solutions, its investment strategy is rooted in fiduciary duty and asset-liability management requirements, and hence, is dependent on access to a broad investment universe.

During 2020, Zurich actively participated in the work of industry bodies such as the Net-Zero Asset Owner Alliance and Science Based Targets initiative to develop and test target setting methodologies for investment portfolios and own operations. As a result, we established a baseline carbon footprint that will be used for medium-term target setting in 2021.

There are no methodologies yet developed to align insurance underwriting portfolios to a net-zero pathway. To improve that situation, Zurich chaired the CRO Forum working group that led to the CRO Forum report on carbon footprinting methodologies for insurance underwriting portfolios; a fundamental step towards assessing insurers' overall distribution of carbon intensity within their underwriting portfolios.

Zurich has developed internal scenarios representing a transition pathway and a physical risk pathway to guide its assessment of climate change impacts as well as a starting point for in-depth assessments of related risks and opportunities.

In the physical risk scenario, an insufficient societal response to limit climate change is assumed, leading to changes in the frequency, severity and geographical distribution of extreme weather events such as tropical cyclones and extreme rainfall and associated flooding or heat waves. Current climate models, such as the International Panel on Climate Change (IPCC) models on which Zurich bases its internal climate scenarios, indicate that physical climate change risks, which are already evident in land ice melt, sea-level rise and in some extreme weather events, will begin to rise more materially beyond the next couple of decades if left unmitigated.

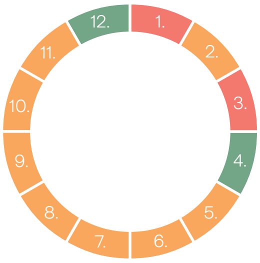
The transition risk scenario is built on an accelerated transition to a low-carbon economy, requiring fundamental changes to all parts of the economy. While limiting climate change to 2°C or below will lower physical climate risk, the technological and policy changes required create their own sets of risks. Independently of the precise pathway, the transition could be disruptive, as the shift to low-carbon technology on a global scale could lead to significant shifts in asset allocations and volatility in asset prices during the transition. Changes in public perception and the regulatory landscape could reshape the legal and reputational risk landscape. Transition risks are considered more uncertain than physical risks, given their dependency on both climate-related policy changes that could emerge within a short time horizon and other policy changes related to the management of the global economy.

Zurich uses a climate scorecard to measure transition risk-related indicators, which uses quantitative data and draws on various climate change scenarios constructed by the IPCC and the International Energy Agency (IEA). Zurich's assessment shows that a physical risk pathway currently is significantly more likely than a transition pathway. As our scorecard shows, the world is not even on track to achieve a 2°C path, indicating the scale of the challenge to move towards a 1.5°C transition. While the overall message of insufficient progress is clear, the latest score card update, which mainly draws on data from 2019, nonetheless shows some improvements over previous years. The pace of increase in CO_2 emissions, for example, fell back towards its longer-term trend after having picked up sharply in 2018. While encouraging, this trend still implies rising carbon emissions by over 1 percent annually, which is not consistent with the need to reduce net emissions to zero by 2050. Social trends around climate change have, however, continued to firm, with a notable increase in the focus on climate change in social and mainstream media and by commercial entities – even in the midst of the COVID-19 crisis.

TCFD report (continued)

Transition risks and physical risks are not mutually exclusive and can potentially co-exist depending on the timing, speed and effectiveness of the transition pathway.

Zurich climate change scorecard
2°C scenario



1. Carbon pricing	5. Energy supply	9. Investment
2. Corporate action	6. Legislation	10. Energy integration and storage
3. CCUS technology	7. Energy demand and efficiency	11. Fossil fuel subsidies
4. Social trends	8. CO2 emissions	12. Electrical vehicles

Not on track
Improving
On track

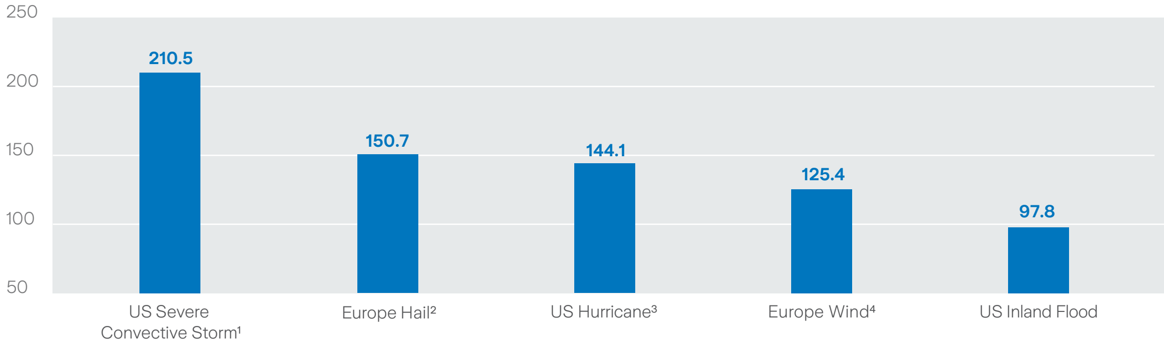
Climate-related physical risk
Over the short term, the expectation is that natural climate variability will have a higher impact on natural catastrophe losses than long-term climate change trends. An increase in asset values and accumulation through population growth and concentration in urban areas can also contribute to higher overall losses from natural catastrophes over time. Such socio-economic trends are reflected in our loss assumptions and might mask loss trends attributable to climate change. Regional variations will be large; however, particularly exposed areas are likely to see changing risk profiles more quickly. To accommodate the unfolding nature of climate risk, Zurich considers both near-term (three to five years) and long-term (five to 10 years) time horizons. Overall, the Group considers its near-term climate change-related physical risks to be manageable and foreseeable, whereas long-term risks are elevated and highly uncertain.

Zurich is most directly exposed to physical risk of climate change through the property underwriting and real estate investment portfolios. While assessing and managing the impact of extreme weather events is part of Zurich's core business competency, changes in frequency and severity of events caused by climate change add to the challenges in measuring expected impacts. As commercial catastrophe models are typically based on historical data and hence backward looking, they might not sufficiently account for climate risks already materializing. For this reason, Zurich is now building a view of climate change into its accumulation risk, peril-region modelling (see section on Risk Management). Potential model gaps are addressed as part of Zurich's model validation process and the 'Zurich View' approach provides further review for impacts that Zurich considers under-represented in the standard models. Generally, annual policy renewals provide mitigation increasing physical risks for short-tail business. Zurich also purchases reinsurance to protect the company's balance sheet from large natural catastrophe impacts and to support earnings volatility management. The reinsurance strategy is regularly reviewed to take into account any relevant loss trends. For details about Zurich's catastrophe reinsurance see page 144.

TCFD report (continued)

Zurich's modelled Average Expected Losses (AEL) from climate-related natural catastrophes provide an indicator of our current exposure to perils that might be affected by climate change. The AEL analysis below reflects the current top 5 peril regions in the Group as of June 30, 2020 net of reinsurance, before tax and excluding unallocated claim adjustment expenses. This analysis helps Zurich manage risks related to insuring these perils, such as accumulation risk. Limits per peril are in place and exposure is currently within appetite.

Average Expected Loss (AEL) net of reinsurance, before tax and excluding unallocated claim adjustment expenses for the top 5 peril regions
in USD millions, as of June 30, 2020



1 US Severe Convective Storm: Includes tornados, hail and straight-line winds.
2 Europe Hail: Includes Austria, Belgium, France, Germany, Italy, Luxembourg, Netherlands, Switzerland.
3 US Hurricane: Includes wind and storm surge.
4 Europe Wind: Includes Austria, Belgium, Czech Republic, Denmark, France, Germany, Ireland, Luxembourg, Netherlands, Norway, Poland, Sweden, Switzerland and the United Kingdom (UK also includes storm surge).

There is also a risk that physical impacts reduce the profitability of investments across asset classes (e.g., equities, real estate, sovereign or corporate bonds), though analysis suggests that very significant impairments would be required for Zurich's investment portfolio to be materially impacted.

Zurich considers the risk to its own operations from climate risk to be less material, as they are generally not located in highly exposed areas and business continuity plans are in place to ensure resilience in the face of extreme weather events.

Climate-related transition risk

Zurich could be exposed to transition risks if it fails to manage changing market conditions and customer needs as part of the transition to a climate-neutral economy, resulting in asset impairment, opportunity cost and lost market share. In a transition scenario, sectors that are difficult to decarbonize could experience stranded assets, either of physical assets, or declining profitability and lack of refinancing. For some companies, the resulting liquidity shortages could lead to a lack of maintenance with increasing rates of outages and equipment breakdowns, translating into higher insurance losses.

The new technologies and transformation required for a low-carbon economy also offer risks and opportunities to our portfolios as a lack of loss history creates challenges for pricing and risk selection. Not all low-carbon technologies will see commercial success, potentially leading to asset impairments and company failures as their business models fail to scale due to technological or economic reasons.

Failure to manage transition risk could also lead to reputational impacts, both internal and external, resulting from a failure to deliver on publicly stated commitments. Although not considered material in the near term, the increasing frequency of climate-related legal action suggests climate-related litigation could represent a significant potential risk in the long term.

TCFD report (continued)

Societal and regulatory attention towards climate change mitigation has remained high, even in the face of the COVID-19 crisis, and Zurich has enacted strategic responses to market and regulatory developments. These include differentiated market position on climate change that is linked with Zurich's purpose and values statement. Zurich is already well positioned to take advantage of new low-carbon technologies and is building its capabilities in line with the growing market share of those opportunities. For more information on opportunities see the section on climate-related opportunities below. Similar to physical risk, the annual nature of the majority of our insurance contracts allows Zurich to align portfolios with emerging trends and effectively manage transition risk. Zurich's Net-Zero Asset Owner Alliance commitment to a net-zero emissions investment portfolio by 2050 is expected to further mitigate transition risk and increase the resilience of our investment portfolio against carbon-related asset corrections.

Zurich has already identified the coal and oil sands sectors as particularly carbon intense and transition risk prone as such industries are nearing the end of their life cycle. In line with its coal policy, Zurich will no longer underwrite or invest in companies with coal or oil sands dominated business models and without plans to transition to a lower-carbon intensity. See Zurich's exclusions page for full details on Zurich's coal and oil sands policy.

To improve its understanding of transition risk, Zurich subscribes to transition risk data, such as carbon intensity and additional indicators, that will be leveraged in assessments of portfolios and transactions. As part of its commitments to the Net-Zero Asset Owner Alliance and the Science Based Targets initiative, Zurich is also engaging with customers and investee companies across many industries on their decarbonization strategy, with those conversations driving our understanding and management of transition risks. To further support these efforts Zurich has also joined Climate Action 100+.

Given the low-carbon intensity of the insurance sector's operations compared to more carbon-intensive manufacturing sectors, continuous progress on energy and carbon reduction targets and Zurich's voluntary carbon offsetting scheme, Zurich does not consider transitions risks to be material for our own operations. However, low magnitude risks exist, for example, in the area of increases to energy costs or risks of new external carbon taxes or fees. To manage these risks, Zurich takes advantage of opportunities, such as renewable electricity purchasing, carbon and energy reduction targets, travel reductions and moving to a more efficient real estate portfolio. For example, in 2019 Zurich joined the RE100 initiative committing to move to 100 percent renewable power by end 2022. Zurich also conducts an annual operational risk assessment covering energy cost, high-risk locations, regulatory, operational supply chain, stakeholder expectations and employee safety.

Climate-related opportunities

Zurich sees business opportunities both in helping its customers manage physical risk and transition risk, as well as benefiting from the changes required to move toward a low-carbon economy. As an innovative insurer, Zurich is positioned to take advantage through its climate change-related products and services which enable existing and prospective customers to better understand and manage their exposure to climate risks and to enhance their resilience to both physical and transition risk.

To realize opportunities from physical risks, Zurich is expanding its existing natural hazards risk advisory service to address customers' physical climate change risks. As part of the 'Climate Change Resilience Services', a dedicated team of climate risk experts help businesses tackle their climate change risk and better understand how it might affect their operations, strategy, and financial position. In 2020, Zurich North America's construction team also introduced a parametric insurance cover that allows customers to insure against climate-related risks that were not insurable under traditional coverage.

Climate-related regulations aimed at incentivizing a low-carbon economy result in an increased demand for alternative low-carbon solutions and provide opportunities for new markets. The impact of these opportunities will scale over time and Zurich already has considerable expertise in providing insurance solutions for green assets and takes advantage of 'green' opportunities through products and services. With electric vehicles (EV) expected to be a significant and growing segment in the new vehicle market, Zurich is leading the way in developing customized motor insurance solutions that meet the needs of EV customers.

TCFD report (continued)

Zurich has also expanded its role in solar power insurance and will continue to broaden its underwriting capacity and knowledge around renewable energy risks more broadly. As part of the evolving microgrid markets in Italy, Germany and Switzerland, Zurich provides customized coverage for private homeowners and small- to mid-size commercial companies to build renewable energy facilities, such as photovoltaic, solar thermal, biomass and geothermal installations. In 2020, Zurich scaled an existing renewable energy insurance product from our European market to Brazil, called Zurich4Power, to help small- to medium-sized business customers shift to renewable energy, which offers protection for solar panels covering the installation, equipment assembly, tests and first six months of operation. For larger commercial customers, Zurich covers solar and wind farms either directly or via a third-party strategic relationship with a specialist agency.

In addition, Zurich will continue to exert industry leadership in facilitating the increased use of low-carbon transition technologies like Carbon Capture, Use and Storage (CCUS), which the UN has stated is a technology that is essential to many industrial sectors in reaching climate goals. As early as 2009 we were the first and are today still the only carrier to provide both liability coverage and financial assurance in support of CCUS as a transitional mitigation technology.

As an investor, Zurich has established responsible investment and climate change investment strategies, including active ownership, green bonds, and a comprehensive approach of ESG integration. Impact investments targeting climate change mitigation or adaptation activities can help reduce climate change risks through their targeted positive impact and offer a financial return commensurate with risks. Zurich will consider impact investments that help increase energy efficiency, generate renewable energy or mitigate climate change and/or improve adaptability and resilience in other ways. Through its commitment to build an impact investments portfolio of the size necessary to help save 5 million tons of CO2e on an annual basis, Zurich is seeking to capture opportunities across the universe of green, social and sustainable bonds, impact private equity and infrastructure private debt.

Risk management

Zurich's approach to managing climate risk is embedded within its multi-disciplinary Group-wide risk management processes and follows the same objectives of informed and disciplined risk taking. As such, climate risk is managed in a manner consistent with how other risks are managed by the Group.

To maintain an aligned view on climate risks across the Group and ensure new developments are taken into consideration for Zurich's risk management activities, Zurich conducts an annual Group-wide assessment of climate change-related risks using the TRP approach, under the sponsorship of the Group CRO. The TRP assessment of climate risks is aligned to the scenarios described in the section on climate strategy. To complement the TRP assessment, Zurich uses its Sustainability Risk framework, which is aligned with our purpose and values of 'standing up for what's right', to proactively and systematically identify and assess detailed sustainability risk issues, including from climate change. Zurich's Sustainability Risk team monitors ongoing developments around physical and transition climate risks, in close collaboration with the Public Affairs team, to maintain visibility of regulatory developments. Zurich's Emerging Risk Committee, reporting to the Group CRO and tasked with identifying emerging and sustainability risks and prioritizing material risks for deep-dive analysis, also maintains an ongoing focus on climate-related risks.

Zurich's sophisticated natural catastrophe modelling capabilities allows management of property risk selection and pricing, to ensure accumulations stay within intended exposure limits and assessment of the capital requirement due to natural catastrophes. Catastrophe models are computer programs used to mathematically assess the physical characteristics and financial impact of natural and man-made catastrophes, including for example earthquakes, weather -related perils, terrorism, pandemics, extreme casualty events, and cyber incidents.

Catastrophe models are designed to assess a range of potential future disasters providing the financial impact either by return period (e.g. a 100-year loss) or the annual expected loss (risk premium). They can also be applied to historical events (e.g. hurricane Katrina). They then calculate a range of property-related direct physical loss (e.g. building, content, vehicles), indirect losses such as business interruption and residual loss, including for example demand surge or inflation in materials costs.

TCFD report (continued)

Catastrophe models use account, location and reinsurance information as input data. The quality of the input data has an impact on the model output and Zurich constantly reviews and expands the scope and sophistication of its modeling and strives to improve data quality. The data includes policy conditions and location data with risk characteristics (e.g. construction, occupancy, etc.). For reinsurance, this is treaty and facultative reinsurance. The models consist of the following 3 modules:

– Hazard module: The hazard module for a peril region (e.g. US hurricane) typically consists of tens of thousands of synthetic but possible catastrophic events. This event set provides the physical hazard specific to geographical locations.
– Vulnerability module: The vulnerability module provides the expected damage for a geographical location with its risk characteristics (e.g. building code, etc.) given the hazard level from an event.
– Financial Module: The financial module translates the expected physical damage of an insured asset into a financial loss. The policy conditions then allocate the total ground-up loss into different involved parties including insured, insurer and reinsurer. Varying financial perspectives are provided at different aggregation levels (e.g. account, portfolio).

Catastrophe models that are generally based on historical data would not capture potential future climate change-related shifts of extreme weather events. However, when combined with General Circulation Models (GCMs) they are best positioned to help also understand the risk of future climate conditions. GCMs build representations of the earth's physical climate systems and therefore can provide model results for climatic scenarios beyond past events. The quality of GCMs continues to evolve as scientific understanding of the earth's climate systems increases, and is also driven by progress in computing power and artificial intelligence that extrapolates insights from current modelled regions to future climate scenarios. This science is evolving and Zurich has strengthened its catastrophe modelling team with dedicated resources to create methodologies to integrate such forward-looking aspects into its modelling approach.

Third-party models provide a starting point for the assessment of natural catastrophe risk. However, they are generally built for the market average and need validation and adjustment by specialized teams to reflect the best view of risk. Zurich has been a leader in model validation and developed its proprietary 'Zurich View' of risk in 2005 using a structured and quantitative approach. Models are adjusted in terms of frequency, severity and event uncertainty. Every catastrophe event provides an opportunity to learn from Zurich's own claims experience and the modeling framework has been providing a place to capture the new insights. For severity, a set of 13 adjustment factors addresses potential losses from non-modeled property-related exposures or secondary perils to the extent not covered by the third-party models. Models and model adjustments are based on science, engineering and claims experience and expert judgement. Output from catastrophe models are subject to significant uncertainty, especially for rarely occurring but severe events. The level of sophistication and maturity of a model varies significantly by peril region. The amount of claims experience used for model calibration is an important factor. Also, the output may change over time for different reasons including exposure and vulnerability changes, model updates and exposure data quality.

TCFD report (continued)

The Group uses catastrophe models adjusted to the 'Zurich View' to manage its underwriting, ensure accumulations stay within intended exposure limits and assess capital requirements driven by natural catastrophes. The same view Zurich has on natural catastrophe risk also underpins profitability assessments and strategic capacity allocation and guides the type and quantity of reinsurance Zurich buys. To ensure global consistency, natural catastrophe exposures are modeled in the Group Risk Management function.

Potential losses from policies covering property-related exposures (property, engineering, marine and motor lines) with material exposure in hazard-prone geographical areas and from worker injury policies with material exposure in U.S. seismic zones are probabilistically modeled. Losses for other lines of business are estimated based on adjustments to these modeled results. Risk modeling mainly addresses climate-induced perils, such as windstorm, flood, tornado, and hail, and geologically-induced perils, such as earthquake. Zurich constantly reviews and expands the scope and sophistication of its modeling and strives to improve data quality. Natural catastrophe research and development has strengthened to increase the focus on the risks from a changing climate. It supplements internal know-how with external knowledge (e.g., the Advisory Council for Catastrophes). Zurich is a shareholder of catastrophe exposure and loss data aggregation and estimation firm PERILS AG, Switzerland and is a member of the open-source initiative Oasis Loss Modeling Framework.

To protect its premises and employees from disruptions and minimize impacts, Zurich has a well-established business resilience process that also covers potential impacts from natural catastrophes on our own premises. Zurich is leveraging its own in-house catastrophe modelling expertise to inform our understanding of exposure to tailor mitigating actions.

For Zurich's investment portfolio, management of climate change transition risks is part of its ESG integration approach. Given its complexity and long-term nature, climate change represents a particular challenge for ESG integration. Zurich is using a variety of dedicated third-party vendor tools as part of its ESG integration. Despite the considerable progress made in the quality and availability of data in recent years, further improvement in data and tools is required to support integration in investment strategies. ESG integration practices might fail to effectively capture all climate change-related risks and opportunities. Zurich is testing the use of special benchmarks that incorporate a climate risk assessment and will evaluate the application of such benchmarks for new and existing portfolios on a case-by-case basis.

To maintain climate change management in line with industry best practice, Zurich is actively contributing to external industry, regulatory and international agencies' initiatives to improve climate risk assessments and disclosures, including the UN Principles for Sustainable Insurance TCFD pilot, the UK PRA's Climate Financial Risk Forum Guide and the UNEP FI Net-Zero Asset Owner Alliance. Zurich also led an effort by the CRO Forum to develop methodologies that apply the carbon footprint and intensity concepts to insurance portfolios. The report presents a range of options, methodologies and barriers to the carbon footprinting of insurance companies' underwriting portfolios. It is intended as an exploration of the different carbon footprinting methodologies that may be applied to underwriting portfolios and the barriers to applying them. With the help of external carbon data, Zurich is currently assessing in detail how this approach can be leveraged for transition risk management.

To improve its understanding of potential developments of climate change liability risks, Zurich is also part of a dedicated working group established as part of the UN Principles for Sustainable Insurance TCFD pilot.

Metrics and targets

Key performance indicators (KPIs) for sustainability focus areas underpin Zurich's management of its climate strategy. As low-carbon commitments are operationalized, additional targets will be added to ensure continuous improvement in performance.

Latest data for these metrics, along with historical data to facilitate trend analysis, can be found on Zurich's website.

Regarding sustainable investments, our impact investment portfolio grew from USD 4.6 billion in 2019 to USD 5.8 billion in 2020, of which 77 percent finances environmental and 23 percent social assets, helping to avoid 2.9 million tons of CO2-equivalent emissions and, separately, improve the lives of 3.7 million people annually as of December 2020 (see Zurich Insurance Group Sustainability Report 2020).

To measure the progress of the implementation of Zurich's coal policy, Zurich is monitoring the number of companies affected by its thresholds and its actions taken on both insurance and investment side. Since the introduction of Zurich's first coal policy in 2017, Zurich's actions resulted in the divestment of USD 497 million in assets and the phase out of insurance relationships covering USD 33 million of gross written premiums. We recognize these figures represent less than half a percent of Zurich's respective investment or insurance portfolios and, as such, further confirm that our exposure to the thermal coal and oil sands industry was already limited before policy inception, reflecting our ESG integration approach.

Number of companies subject to Zurich's coal and oil sands policy since November 2017

97	58	113
Excluded[1]	Cleared[2]	Engagement ongoing[3]

1 Excluded: Company exceeds Zurich's thresholds; relationship terminated.
2 Cleared: Confirmation through review process that thresholds are no longer exceeded; relationship continued.
3 Engagement ongoing: Continuing review of transition plans; relationship continued, based on evidence of actual movement towards targets.

To monitor the carbon footprint of Zurich's own operations, and its reductions over time, Zurich measures emissions in line with the Greenhouse Gas Protocol's standard.

Zurich Group carbon emissions using the Greenhouse Gas Protocol accounting standards CO2 (metric tons)

	2019	2018	Change
Scope 1 emissions[1,4]	**20,995**	23,293	(11%)
Scope 2 emissions[2,4]	**24,851**	27,563	(11%)
Scope 3 emissions[3,4]	**29,817**	30,808	(3%)

1 Scope 1 emissions include direct emissions from our car fleet and heating produced at our facilities.
2 Scope 2 emissions include indirect emissions from purchased electricity and district heating/cooling. Zurich calculates scope 2 emissions according to the Greenhouse Gas Protocol's market based methodology.
3 Scope 3 emissions include indirect emissions from air travel, rental cars, rail, energy production and generation losses, and electricity distribution losses.
4 Zurich Group carbon emissions data 2020 using the Greenhouse Gas Protocol accounting standard will be available in Q2 2021.

Consolidated non-financial statements

Voice of the customer

	2020	2019	Change
Number of customers interviewed through Zurich's NPS program[1]	**1,025,000**	1,047,000	(2%)
Number of close the loop feedback calls	**73,000**	72,000	1%

1 In 2020, Zurich interviewed over one million customers (including Zurich Santander) in 25 countries through its NPS (Net Promoter System) program.

Our global net promoter system (NPS) program provides us with insights on how to attract new customers – as well as retain existing ones – by creating excellent customer experiences. Ultimately, the aim is to increase the share of promoters we have among our customers. We measure NPS by sending surveys to our customers across 25 countries and are now covering 90 percent of our business (in revenue terms). We always close the loop with our detractors – a process in which all of our executives are also involved.

People indicators

	2020	2019	Change
Total number of employees – headcount	**55,089**	55,369	(1%)
Total number of employees – FTE (full time equivalents)	**52,930**	54,030	(2%)
Employee turnover rate[1]	**9.6%**	13.6%	(4.0 pts)
Average tenure (years)	**10**	10	n.m.
Group voluntary turnover[1]	**4.7%**	7.2%	(2.5 pts)
Technical functions voluntary turnover[1,2]	**4.6%**	6.5%	(1.9 pts)
Female workforce participation	**51.0%**	51.1%	0 pts
Female participation in Leadership Team	**27.1%**	22.6%	4.5 pts
Employee participation in Group-wide feedback channels[3]	**84.0%**	76.0%	8.0 pts
Employee net promoter score (ENPS)[4]	**+52**	+26	26

Notes: Bolivia and the Farmers Exchanges are not in scope of any above key performance indicators (KPIs). The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Zurich Insurance Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

1 Turnover figures only consider regular and inpatriate employees.
2 Technical functions include Claims, Underwriting and Risk Engineering.
3 Group-wide feedback channels include organization health surveys, employee net promoter scores (ENPS) and any other Group-wide feedback channels. This KPI refers to the average participation rate in the two occurrences of the employee net promoter score survey in 2019, while in 2020 it refers to the single survey that was carried out due to the pandemic.
4 ENPS is calculated as the average of the two surveys carried out during the year in 2019, and based on the single survey for 2020, measuring employee loyalty through the likelihood to recommend the company as a place to work. ENPS is based on the methodology of measuring and improving customer satisfaction and loyalty (transaction NPS and relationship NPS) which Zurich uses as a successful method to retain customers.

Community investment

	2020	2019	Change
Fundraising and donations (USD millions)[1]	**3**	2	10%.
Total time volunteered by workforce (business hours)[2]	**38,830**	129,702	(70%)
of which skills-based hours[2]	**19,485**	31,463	(38%)
Workforce actively volunteering (% of total headcount)[2]	**9.3%**	20.9%	(11.6 pts)
Total full-year charitable cash contributions by Zurich business units (USD millions)[3]	**32**	12	168%
Total full-year charitable cash contributions by Zurich to Z Zurich Foundation (USD millions)[4]	**43**	40	6%

Notes: Zurich Insurance Group and its employees are contributing through fundraising, volunteering and cash contributions apart from the community investment activities carried out by the Z Zurich Foundation. All figures exclude Farmers Exchanges. Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

1 Mostly includes Zurich employees' fundraising and donations. As the share of the Zurich business units' matching becomes negligible, the split of these two sub-categories is no longer reflected.
2 2019 figures have been restated to exclude volunteering by Farmers Exchanges employees.
3 The increase in cash contributions in 2020 is mainly driven by a one-off donation to the COVID-19 Support Fund in UK.
4 Starting from 2019, contributions cover the total charitable donations made by various legal entities of the Zurich Insurance Group to the Z Zurich Foundation on a cash-out basis. The donation amounted to CHF 40 million in 2019 and 2020.

Consolidated non-financial statements (continued)

Responsible investment

	2020	2019	Change
External asset managers who are signatories to PRI (%)[1]	**81.8%**	81.3%	0.6 pts
Group assets managed by PRI signatories (%)[2]	**97.5%**	97.5%	0.1 pts
Total amount of impact investments (USD millions)[3]	**5,770**	4,555	27%
Investment portfolio (USD millions)[4]	**226,389**	204,803	11%

1 The United Nations-supported Principles for Responsible Investment (PRI).
2 Including assets managed by Zurich.
3 Impact investments in 2020 consisted of: green bonds (USD 3.8 billion), social and sustainability bonds (USD 904 million), investments committed to private equity funds (USD 189 million, thereof 64 percent drawn down) and impact infrastructure private debt (USD 904 million).
4 The investment portfolio is calculated on a market basis, and is different from the total Group investments reported in the consolidated financial statements, which is calculated on an accounting basis and doesn't include cash and cash equivalents.

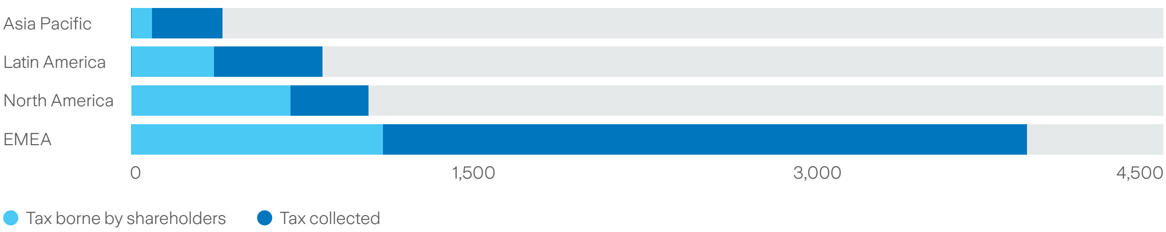
Environmental performance

	2019	2018	Change
Impact of real estate investment: Energy consumption (kWh per sqm)[1,2]	**108**	113	(5%)
Impact of real estate investment: CO_2e emissions (kg per sqm)[1,2]	**25.5**	27	(6%)
Own operations: CO_2e emissions per employee (metric tons per FTE)[2,3]	**1.8**	1.9	(10%)

1 Scope includes real estate investments in Switzerland (40 percent of global direct real estate investment value). Buildings in the real estate investment portfolio are largely not used by Zurich. The data are based on meter readings and energy supplier information and are heating degree adjusted.
2 CO_2e emissions per employee data 2020 will be available in Q2 2021, and Impact of real estate investment data 2020 will be available in Q1 2022.
3 Includes emissions from own-use real estate (electricity and heat), from air travel, rail and cars (rental cars and car fleet).

Total tax contributions[1] 2019[2]

2019 total tax contributions by region
USD millions



1 Numbers based on IFRS excluding deferred income tax.
2 Tax contributions for 2020 will be available in Q2 2021.

Top 20 countries with the highest total tax contribution[1] in 2019

Country (in USD millions)	Total tax contribution	Tax collected	Tax borne by shareholders
US	1,678	997	680
Switzerland	1,615	1,190	425
UK	923	794	129
Germany	827	657	170
Italy	517	380	137
Brazil	507	317	190
Spain	366	252	114
Australia	332	319	14
Mexico	309	246	63
Austria	304	277	27

Country (in USD millions)	Total tax contribution	Tax collected	Tax borne by shareholders
Ireland	240	204	37
Argentina	220	168	52
Chile	118	75	43
Portugal	91	59	32
Japan	72	26	46
France	45	40	5
Malaysia	45	27	18
Canada	42	38	4
Ecuador	30	26	4
Netherlands	25	22	3

1 These countries contribute to more than 96% of Zurich's revenue.

The balance between 'total tax collected' and 'tax borne by shareholders' varies between regions and countries due to Zurich's local footprint but also due to different characteristics of the various tax jurisdictions in which Zurich operates.

GRI index

The Global Reporting Initiative (GRI) is an international independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. We have used references to the GRI as an index below to help our stakeholders find the information relevant to them throughout the Annual Report and on our Group website, without adhering to the standards listed in the index in its entirety. This index lists the organization's reports and web pages and their reference to the following GRI Standards.

General Disclosures

Number	Disclosure name	Reference and page number
102-1	Name of the organization	**AR inside front cover (ifc)**
102-2	Activities, brands, products, and services	**AR ifc, 8 to 9 and 18 to 19; SR 26 to 28**
102-3	Location of headquarters	**AR ifc**
102-4	Location of operations	**AR 10 to 11 and 299 to 302**
102-5	Ownership and legal form	**AR 206 and 315**
102-6	Markets served	
102-7	Scale of the organization	**AR ifc and 10 to 11**
102-8	Information on employees and other workers	**AR 32 to 33, 84 to 85 and 174; SR 47**
102-9	Supply chain	**SR 14 and 31; CDP**
102-10	Significant changes to the organization and its supply chain	**AR 14 to 17, 20 to 29, 193 and 221 to 223**
102-11	Precautionary principle or approach	**AR inside back cover**
102-12	External initiatives	**AR 36 to 37 and 165 to 166; SR 10 to 11, 16, 23 and 64 to 65**
102-13	Membership of associations	**CDP**
102-14	Statement from senior decision-maker	**AR 12 to 17, 42 to 43, 92 to 93, 128 to 129, 162 to 163, 182 to 183 and 194 to 195; SR 2**
102-15	Key impacts, risks, and opportunities	**AR 18 to 22, 128 to 129 and 165 to 173; SR 7 to 9, 20, 22 to 24 and 26 to 28; CDP**
102-16	Values, principles, standards, and norms of behavior	**AR 23 to 29; SR 17 to 18**
102-17	Mechanisms for advice and concerns about ethics	**AR 80**
102-18	Governance structure	**AR 47 to 48, 52, 68 and 76; SR 16; CDP**
102-19	Delegating authority	**SR 16; CDP**
102-20	Executive-level responsibility for economic, environmental, and social topics	**AR 62; SR 16**
102-21	Consulting stakeholders on economic, environmental, and social topics	**SR 8 to 9**
102-22	Composition of the highest governance body and its committees	**AR 50 to 64**
102-23	Chair of the highest governance body	**AR 12 to 13, 42 to 43 and 52; SR 16**
102-24	Nominating and selecting the highest governance body	**AR 52**
102-25	Conflicts of interest	**AR 58**
102-26	Role of highest governance body in setting purpose, values, and strategy	**AR 60**
102-27	Collective knowledge of highest governance body	**AR 60**
102-28	Evaluating the highest governance body's performance	**AR 61**
102-29	Identifying and managing economic, environmental, and social impacts	**AR 61 to 62; SR 8 to 9**
102-30	Effectiveness of risk management processes	**AR 154**
102-31	Review of economic, environmental, and social topics	**AR 30 to 39 and 162 to 175**
102-32	Highest governance body's role in sustainability reporting	**AR 62; CDP**
102-33	Communicating critical concerns	**AR 71; CDP**
102-35	Remuneration policies	**AR 95 to 98**
102-36	Process for determining remuneration	**AR 99 to 105**
102-37	Stakeholders' involvement in remuneration	**AR 103 and 105 to 106**
102-40	List of stakeholder groups	**AR 30 to 37 and 81 to 87; SR 13 to 15; CDP**
102-41	Collective bargaining agreements	
102-42	Identifying and selecting stakeholders	**SR 8**
102-43	Approach to stakeholder engagement	**AR 30 to 37; SR 8 and 13 to 15**
102-44	Key topics and concerns raised	**SR 8 to 9**
102-45	Entities included in the consolidated financial statements	**AR 299 to 302**
102-46	Defining report content and topic boundaries	**AR 164, 206 to 207 and 315**
102-47	List of material topics	**SR 8 to 9**
102-49	Changes in reporting	**AR 208 to 209**
102-50	Reporting period	**AR 206 to 207 and 315**

Key:

AR Annual Report 2020 **SR** Sustainability Report 2020*
CDP CDP submission 2020 Link to Zurich Insurance Group website

* The Sustainability Report 2020 includes the United Nations Global Compact communication on progress and our progress in implementing the UN Environment Programme Finance Initiative Principles for Sustainable Insurance. For more information see www.zurich.com/en/sustainability

GRI index (continued)

	Number	Disclosure name	Reference and page number
General Disclosures continued	102-51	Date of most recent report	**SR front cover; CDP**
	102-52	Reporting cycle	**AR 197; SR 4; CDP**
	102-53	Contact point for questions regarding the report	**AR inside back cover**
	102-55	GRI content index	**AR 176 to 177; SR 68 to 69**
	102-56	External assurance	**AR 77 to 78, 124, 178 to 179, 306 to 311 and 322 to 325; SR 67**
Management Approach	103-1	Explanation of the material topic and its boundary	**SR 7 to 9**
	103-3	Evaluation of the management approach	**AR 61 to 64; SR 7 to 9**
Economic Performance	201-1	Direct economic value generated and distributed	**AR 197 to 205**
	201-2	Financial implications and other risks and opportunities due to climate change	**AR 165 to 173; CDP**
	201-3	Defined benefit plan obligations and other retirement plans	**AR 258 to 265**
	201-4	Financial assistance received from government	**AR 250**
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	**SR 49 to 50 and 57 to 58; CDP**
	203-2	Significant indirect economic impacts	**SR 48 to 53; CDP**
Tax	207-1	Approach to tax	**AR 193; SR 19**
	207-2	Tax governance, control, and risk management	
	207-3	Stakeholder engagement and management of concerns related to tax	
	207-4	Country-by-country reporting	**AR 175**
Materials	301-2	Recycled input materials used	
Energy	302-1	Energy consumption within the organization	**SR 29; CDP**
	302-3	Energy intensity	**CDP**
	302-4	Reduction of energy consumption	**SR 29 to 31; CDP**
Emissions	305-1	Direct (Scope 1) GHG emissions	**AR 9, 163 and 175; SR 29; CDP**
	305-2	Energy indirect (Scope 2) GHG emissions	**CDP**
	305-3	Other indirect (Scope 3) GHG emissions	**CDP**
	305-4	GHG emissions intensity	**CDP**
	305-5	Reduction of GHG emissions	**SR 29; CDP**
Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	**CDP**
Employment	401-1	New employee hires and employee turnover	**AR 174; SR 47**
Occupational Health and Safety	403-1	Occupational health and safety management system	**SR 44**
	403-6	Promotion of worker health	**SR 44 to 45**
Training and Education	404-1	Average hours of training per year per employee	
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	**AR 53 and 174; SR 40**
Public Policy	415-1	Political contributions	

Key:

AR Annual Report 2020 **SR** Sustainability Report 2020*

CDP CDP submission 2020 Link to Zurich Insurance Group website

* The Sustainability Report 2020 includes the United Nations Global Compact communication on progress and our progress in implementing the UN Environment Programme Finance Initiative Principles for Sustainable Insurance. For more information see www.zurich.com/en/sustainability

Independent assurance report

To the Executive Committee of Zurich Insurance Group AG, Zurich

We have been engaged to perform assurance procedures to provide limited assurance on the non-financial reporting of Zurich Insurance Group AG and its consolidated subsidiaries (‚ZIG') for the year ended December 31, 2020.

Scope and Subject matter

Our limited assurance engagement focused on selected non-financial indicators published in the Annual Report 2020 of ZIG:

a) The 2020 "People indicators" on page 174, the 2020 "Community investment" indicators on page 174, the 2020 "Responsible investment" indicators on page 175 and the 2019 "Environmental performance" indicators on page 175 ("the non-financial indicators"); and

b) The management and reporting processes with respect to the selected non-financial indicators as well as the control environment in relation to the aggregation of these non-financial indicators.

Criteria

The reporting criteria used by ZIG are described in the internal reporting guidelines and define those procedures, by which the non-financial indicators are internally gathered, collated and aggregated.

Inherent limitations

The accuracy and completeness of non-financial indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our assurance report should therefore be read in connection with ZIG's internal guidelines, definitions and procedures on non-financial reporting. Further, the greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

ZIG's responsibility

The Executive Committee of ZIG is responsible for both the subject matter and the criteria as well as for selection, preparation and presentation of the information in accordance with the criteria. This responsibility includes the design, implementation and maintenance of related internal control relevant to this reporting process that is free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the non-financial indicators based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (revised), "Assurance Engagements other than Audits or Reviews of Historical Financial Information", and, in respect of greenhouse gas emissions, with the International Standard on Assurance Engagements 3410, "Assurance Engagements on Greenhouse Gas Statements", issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform this engagement to obtain limited assurance about whether the identified non-financial indicators are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (revised) and ISAE 3410 involves assessing the suitability in the circumstances of ZIG's use of applicable criteria as the basis for the preparation of the non-financial indicators, assessing the risks of material misstatement of the non-financial indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of non-financial indicators. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures selected depend on the assurance practitioner's judgement.

Independent assurance report (continued)

Our independence and quality controls

We are independent of ZIG in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) that are relevant to our audit of the financial statements and other assurance engagements in Switzerland. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of the work performed

Our limited assurance procedures included, but were not limited to the following work:

- Reviewing the application of ZIG's internal guidelines using a sample of affiliates in Switzerland, UK, USA, Germany, Austria and Spain
- Interviewing ZIG representatives at Group level responsible for the data collection and reporting
- Performing tests on a sample basis of evidence supporting the non-financial indicators as outlined in the scope and subject matter section concerning completeness, accuracy, adequacy and consistency
- Inspecting the relevant documentation on a sample basis
- Reviewing and assessing the management reporting processes for non-financial reporting and consolidation and their related controls

We have not carried out any work on data other than outlined in the scope and subject matter section as defined above. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

Limited assurance conclusion

Based on the procedures we performed, nothing has come to our attention that causes us to believe that

a) The non-financial indicators of ZIG as described in the scope and subject matter section are not prepared and disclosed in all material respects in accordance with ZIG's internal guidelines and procedures; and

b) The management and reporting processes to collect and aggregate the non-financial indicators as well as the control environment in relation to the data aggregation are not functioning as designed.

PricewaterhouseCoopers AG

Peter Eberli Raphael Rutishauser

Zurich, February 12, 2021

Financial review

Message from our Group Chief Financial Officer

Strong results.

Full-year 2020 results demonstrated a strong performance in a challenging environment. We reported business operating profit (BOP) of USD 4.2 billion compared with USD 5.3 billion in 2019. The decline was largely due to the impact of COVID-19 and higher catastrophe losses. Net income attributable to shareholders amounted to USD 3.8 billion and a dividend of CHF 20 has been proposed.

Executing on strategic priorities

The Group's diverse global business and strong balance sheet – together with efficiency improvements realized over 2016–2019 – positioned the Group well to manage the challenges of the global pandemic, while executing on the Group's customer-focused strategy. During the year, the group continued to digitalize all aspects of the business, increasing convenience for customers and improving efficiency. The group further extended its customer reach through incremental distribution partnerships and took advantage of opportunities to further strengthen Farmers.

"The Group has made a good start into the new strategic cycle despite the challenges of volatile financial markets and a global pandemic, with all units contributing to underlying improvement in earnings. Together with our customer focused strategy, simplified operating model and strong balance sheet, the Group is positioned for further growth.

George Quinn
Group Chief Financial Officer

2020–2022 financial targets

Target: >14.0%
BOPAT ROE[1]
11.0%
FY 2020

Target: >USD 11.5bn
Cumulative cash remittances
USD 3.4bn
As of FY 2020

Target: 160% or above
Estimated SST ratio[2]
182%
FY 2020

Target: >5% p.a.
Earnings per share growth in USD
–8%
FY 2020

1 Business operating profit after tax return on equity, excluding unrealized gains and losses.
2 Estimated Swiss Solvency Test (SST) ratio as of January 1, 2021, has been calculated based on the Group's Internal Model, which has been approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA. FINMA agreed to the use of standard yield curves for the main currencies to calculate the SST, starting end of Q1 2020.

Message from our Group Chief Financial Officer (continued)

Progress made across all businesses

The Group’s Property & Casualty (P&C) saw a 28 percent decline in business operating profit (BOP) due to the impact of COVID-19 and higher catastrophe losses. Adjusting for these effects, the Property & Casualty business saw further underlying improvement.

Gross written premiums grew 4 percent on a like-for-like basis driven by continued strong price increases in commercial insurance, while retail business remained broadly stable. Commercial insurance prices increased over the year, with all regions showing improvement.

The combined ratio of 98.4 percent was 2 percentage points higher than in the prior year, driven by COVID-19 claims and higher catastrophes, while the underlying combined ratio improved by 2.6 percentage points. The Group’s reserve strength remained stable over the year, with prior-year reserve development of 1.6 percentage points.

The Group’s life business BOP declined 4 percent due to falls in financial markets in the first half of the year and higher mortality claims linked to the COVID-19 outbreak. Adjusted for these effects, BOP increased 7 percent with all regions showing growth.

The Group’s life business is well placed to manage the ongoing low yield environment due to its focusing early on life protection and capital efficient savings products. These products contributed 88 percent of annual premium equivalent (APE) sales during the year.

Gross written premiums at the Farmers Exchanges decreased 3 percent and were broadly flat before COVID-19-related customer rebates. Key customer metrics remained strong as a result of the Farmers Exchanges’ customer-focused strategy.

Farmers BOP declined 12 percent as a result of higher mortality related to COVID-19 at Farmers Life together with a 6 percent decline at Farmers Management Services as a result of the decline in gross written premiums at the Farmers Exchanges.

During the year the Group announced the acquisition of the U.S. P&C business of MetLife, which will further strengthen the Farmers Exchanges and further increase the contribution of Farmers Management Services to the Group.

Group Functions and Operations showed an improved performance with the associated net loss reduced by 1 percent due to lower interest expenses.

A strong capital position and cash generation

During the year, management continued to improve the Group’s focus and optimize the use of capital. The Group’s balance sheet and Swiss Solvency Test (SST) ratio remained strong at an estimated 182 percent[2], which is in-line with the Group’s target of having an SST of 160 percent or above.

The Group continued to successfully convert earnings into distributable cashflow with cash remittances back to the Group of USD 3.4 billion in 2020, equivalent to 90 percent of net income attributable to shareholders. During the year the level of remittances was driven both by operational earnings and remittances of excess capital that had built up over time from previously retained earnings.

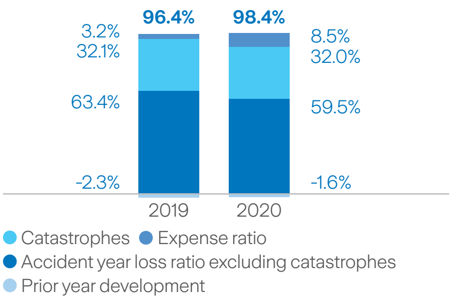
Dividend proposal of CHF 20

In line with the stated dividend policy, the board proposed a dividend of CHF 20 per share.

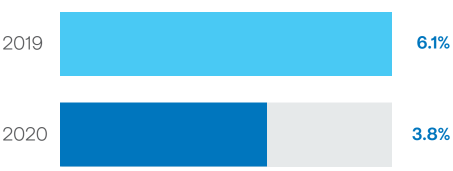
George Quinn
Group Chief Financial Officer

Property & Casualty (P&C)

Combined ratio
%

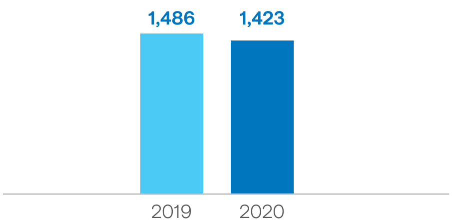


Like-for-like GWP growth
%[1]



Life

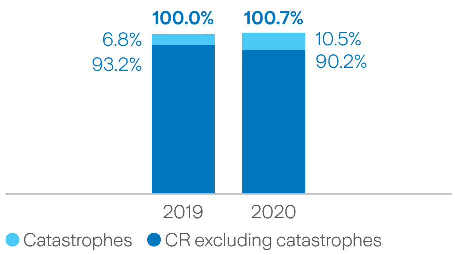
Business operating profit
in USD millions



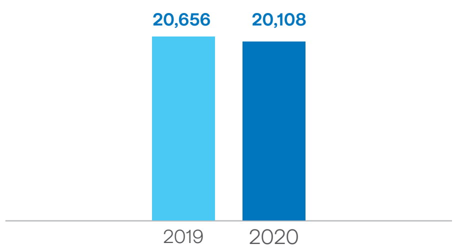
2020 APE product mix
%

Farmers Exchanges[2]

Combined ratio (CR)
%



GWP
in USD millions



1 In local currency and adjusted for closed acquisitions and disposals.
2 For all references to Farmers Exchanges see the disclaimer and cautionary statement.

Financial overview

Contents

The information contained within the financial overview is unaudited and is based on the consolidated results of the Group for the years ended December 31, 2020 and 2019. 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 always add up to the rounded total. 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 results 2020 of the Group and in particular with its consolidated financial statements and embedded value report for the year ended December 31, 2020.

In addition to the figures stated in accordance with International Financial Reporting Standards (IFRS), the Group uses business operating profit (BOP), new business metrics 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. For a reconciliation of BOP to net income attributable to shareholders (NIAS), see note 27 (table 27.4) of the audited consolidated financial statements for the years ended December 31, 2020.

Certain comparatives have been revised as a result of reclassifications and other adjustments. For details refer to note 1 of the audited consolidated financial statements.

Financial overview (continued)

Financial highlights

in USD millions, for the years ended December 31	2020	2019	Change[1]
Business operating profit	**4,241**	5,302	(20%)
Net income attributable to shareholders	**3,834**	4,147	(8%)
P&C business operating profit	**2,080**	2,878	(28%)
P&C gross written premiums and policy fees	**35,518**	34,184	4%
P&C combined ratio	**98.4%**	96.4%	(2.0 pts)
Life business operating profit	**1,423**	1,486	(4%)
Life gross written premiums, policy fees and insurance deposit	**27,616**	33,479	(18%)
Life new business annual premium equivalent (APE)[2]	**3,625**	4,331	(16%)
Life new business margin, after tax (as % of APE)[2]	**25.1%**	25.8%	(0.8 pts)
Life new business value, after tax[2]	**788**	976	(19%)
Farmers business operating profit	**1,501**	1,707	(12%)
Farmers Management Services management fees and other related revenues	**3,703**	3,780	(2%)
Farmers Management Services managed gross earned premium margin	**6.8%**	7.0%	(0.2 pts)
Farmers Life new business annual premium equivalent (APE)[2]	**75**	82	(9%)
Average Group investments[3]	**204,639**	190,237	8%
Net investment result on Group investments[3]	**6,950**	7,391	(6%)
Net investment return on Group investments[3,4]	**3.4%**	3.9%	(0.5 pts)
Total return on Group investments[3,4]	**6.4%**	8.2%	(1.9 pts)
Shareholders' equity	**38,278**	35,004	9%
Swiss Solvency Test ratio[5]	**182%**	222%	(40.0 pts)
Return on common shareholders' equity (ROE)[6]	**13.0%**	14.4%	(1.3 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)[6]	**11.0%**	14.2%	(3.3 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 2019. 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 Including investment cash.
4 Calculated on average Group investments.
5 Estimated Swiss Solvency Test (SST) ratio as of January 1, 2021, has been calculated based on the Group's Internal Model, which has been approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA. FINMA agreed to the use of standard yield curves for the main currencies to calculate the SST, starting end of Q1 2020. The ratio as of January 1, 2020 has been re-calculated on the same basis for disclosure purposes in order to allow better comparison.
6 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.

Overall Group business operating profit declined 20 percent despite a return to growth over the second half of the year. The decline was driven by the impact of COVID-19 and higher claims from natural catastrophes, which were only partially offset by underlying earnings growth and a strong performance from financial markets.

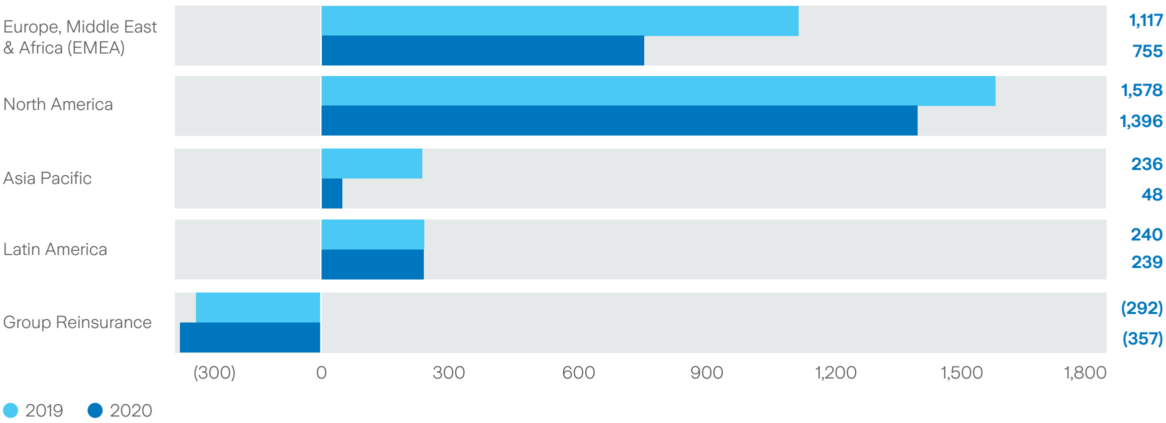
Net income attributable to shareholders declined 8 percent with higher realized gains partially offsetting the decline in business operating profit.

Operating update

Property & Casualty (P&C)

in USD millions, for the years ended December 31			Total
	2020	2019	Change
Gross written premiums and policy fees	35,518	34,184	4%
Net earned premiums and policy fees	26,396	25,608	3%
Insurance benefits and losses, net of reinsurance	17,536	16,475	(6%)
Net underwriting result	423	922	(54%)
Net investment result	2,045	2,171	(6%)
Business operating profit	**2,080**	**2,878**	**(28%)**
Loss ratio	66.4%	64.3%	(2.1 pts)
Expense ratio	32.0%	32.1%	0.1 pts
Combined ratio	**98.4%**	**96.4%**	**(2.0 pts)**

P&C business operating profit (BOP)
in USD millions, for the years ended December 31



Gross written premiums in Property & Casualty (P&C) for 2020 increased 4 percent in U.S. dollars and on a like-for-like basis, after adjusting for currency movements and closed acquisitions and disposals. Growth was supported by higher premium rates in commercial insurance, which accelerated during the year across all regions.

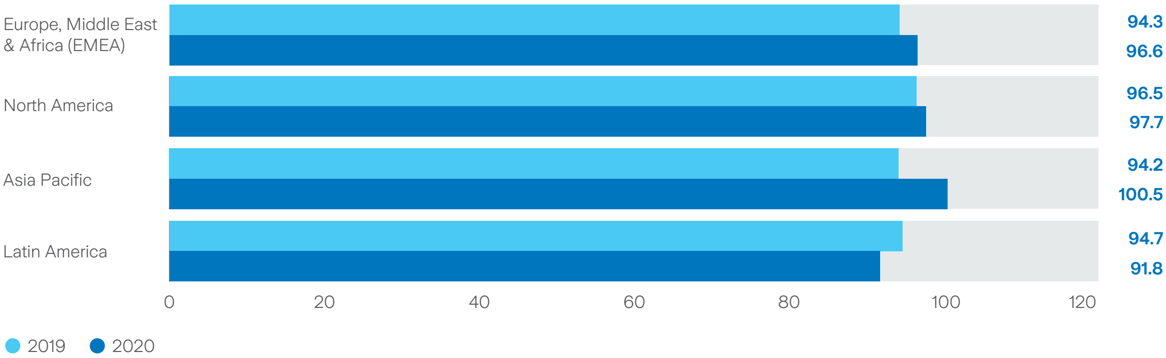
Business operating profit in 2020 was USD 2.1 billion, 28 percent lower than in the previous year. The decline was mainly driven by the impact of the COVID-19 outbreak, higher catastrophe losses than in the previous year, as well as a lower investment result. The overall impact of the COVID-19 outbreak on Property & Casualty was USD 544 million, including USD 450 million of claims net of frequency benefits and premium refunds.

The net investment result declined by USD 126 million compared to the previous year, with lower reinvestment yields leading to reduced investment income, which was partially offset by a strong performance from hedge funds.

The contribution of other items, which include the net non-technical result and non-controlling interests, was USD 173 million lower than in the previous year. This was driven by a combination of non-recurring charges, lower income from cash and cash equivalents, and an operating loss at Cover-More, the Group's specialist travel and assistance provider, which saw a sharp decline in sales as a result of widespread travel restrictions to counter the COVID-19 outbreak.

Operating update (continued)

P&C combined ratio
%, for the years ended December 31



The 2020 combined ratio of 98.4 percent was 2 percentage points higher than in the previous year. The deterioration was entirely driven by COVID-19 claims and higher catastrophes, while underlying performance continued to improve year on year.

In EMEA, the combined ratio deteriorated by 2.3 percentage points, due to COVID-19 related claims and voluntary actions to support customers during the outbreak, which were partially offset by lower claims frequency, especially in motor, resulting from restrictions implemented by governments to control the pandemic.

In North America, the combined ratio was 1.2 percentage points higher than in the previous year. This was driven by a strong underlying improvement from the earn-through of rate increases, which was more than offset by the impact of higher catastrophe losses resulting from the COVID-19 outbreak, civil unrest in the U.S., and an active Atlantic storm season.

The Asia Pacific combined ratio was 6.3 percentage points higher than in 2019, due to adverse prior year development as well as higher catastrophe losses, largely related to COVID-19.

The Latin America combined ratio was 3.0 percentage points lower than in the previous year, with the improvement driven by a lower accident year loss ratio excluding catastrophes.

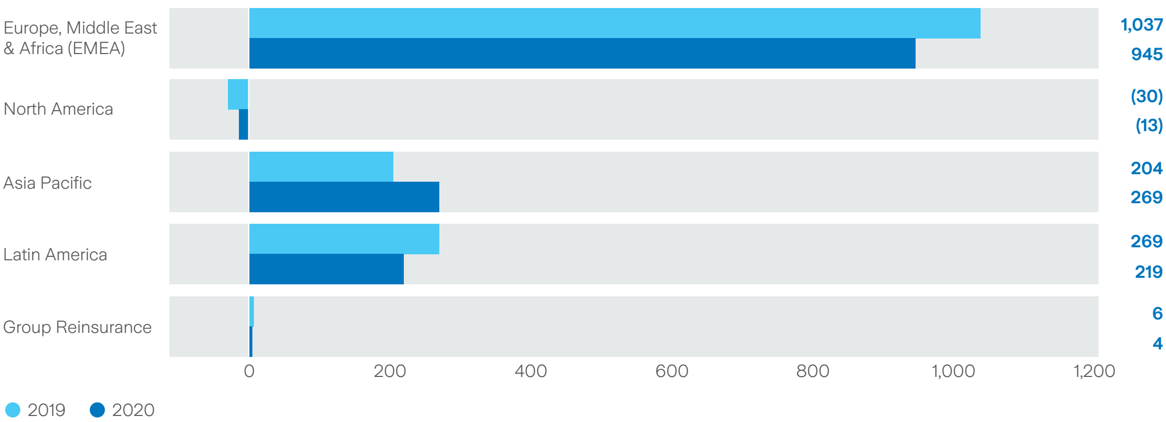
Operating update (continued)

Life

in USD millions, for the years ended December 31	2020	2019	Change
Insurance deposits	13,663	18,328	(25%)
Gross written premiums and policy fees	13,953	15,151	(8%)
Net investment income on Group investments	2,753	2,915	(6%)
Insurance benefits and losses, net of reinsurance	9,306	10,190	9%
Business operating profit	**1,423**	**1,486**	**(4%)**
Net policyholder flows[1]	4,310	6,320	(32%)
Assets under management[2]	303,433	275,423	10%
Total reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts (net reserves)	247,439	226,765	9%

1 Net policyholder flows are defined as the sum of gross written premiums and policy fees and deposits, less policyholder benefits.
2 Assets under management comprise balance sheet Group investments and unit-linked investments plus assets that are managed by third parties, on which fees are earned.

Life business operating profit (BOP)
in USD millions, for the years ended December 31



Life business operating profit for 2020 was USD 1.4 billion, 4 percent below the prior year. Excluding COVID-19 effects of USD 173 million life business operating profit grew 7 percent despite adverse movements in exchange rates and a lower contribution from favorable one-off items mainly in EMEA.

In EMEA, business operating profit was impacted by the COVID-19 outbreak, mainly in the UK and to a lesser extent in Switzerland and Zurich International. On a reported basis, business operating profit decreased by 9 percent compared to the prior year. Adjusted for COVID-19, business operating profit increased 6 percent mainly driven by Switzerland and the joint venture with Banco Sabadell in Spain.

In Latin America, business operating profit decreased 19 percent due largely to adverse development in exchange rates. In local currency, growth was 4 percent, mainly driven by favorable results in Chile and Argentina, partially offset by higher COVID-19 claims in Zurich Santander.

Asia Pacific contributed a business operating profit of USD 269 million, up 32 percent vs the prior year. The performance in the second half improved significantly, driven by improved performance within the Australian life business.

In North America, which excludes Farmers Life, business operating earnings increased by USD 17 million due to favorable claims experience more than offsetting the absence of a favorable one-off item in the prior year.

Net inflows of USD 4.3 billion were USD 2.0 billion lower than in the prior year. On a like-for-like basis net inflows were down USD 1.3 billion, mainly driven by EMEA, which benefitted from one-time inflows in Switzerland in 2019.

Assets under management (AuM) increased 10 percent.

Operating update (continued)

NBV, APE and NBM by Segment

in USD millions, for the years ended December 31

	New business value, after tax (NBV)[1]		New business annual premium equivalent (APE)[2]		New business margin, after tax (as % of APE) (NBM)[3]	
	2020	2019	**2020**	2019	**2020**	2019
Europe, Middle East & Africa (EMEA)	500	576	2,300	2,760	22.7%	21.9%
North America	44	49	108	139	41.0%	35.2%
Asia Pacific	101	211	213	268	47.9%	79.9%
Latin America	142	140	1,005	1,164	23.0%	18.9%
Total	**788**	**976**	**3,625**	**4,331**	**25.1%**	**25.8%**

1 New business value is calculated on embedded value principles net of non-controlling interests.
2 APE is shown gross of non-controlling interests.
3 New business margin is calculated using new business value as a percentage of APE based on figures net of non-controlling interests for both metrics.

Life new business annual premium equivalent (APE) sales decreased 7 percent on a like-for-like basis, adjusting for currency movements, acquisitions and disposals. The decline in sales was largely driven by government-imposed restrictions related to the COVID-19 outbreak and expected reductions in several markets from exceptional levels in 2019. On a reported basis APE was 16 percent lower.

In EMEA, APE sales in 2020 decreased by 12 percent on a like-for-like basis compared with 2019. The decline was mainly driven by a reduction in corporate pensions business in Switzerland following exceptional sales in the previous year, and by lower savings business in Italy, Portugal and for the joint venture with Banco Sabadell in Spain, partly as a result of the COVID-19 lockdowns throughout the year.

APE sales in Latin America increased 8 percent on a like-for-like basis. Higher sales of unit-linked and individual protection business at Zurich Santander were partly offset by lower sales volumes in Chile and corporate protection business across the region.

In Asia Pacific, APE sales decreased 21 percent on a like-for-like basis, reflecting lower sales volumes in Japan, Malaysia and Indonesia, mainly driven by the outbreak of COVID-19.

In North America, APE sales were 8 percent lower than in the prior year due to reduced sales of corporate protection business and lower individual protection sales.

The new business margin remained on an attractive level at 25.1 percent as reported or 24.9 percent on a like-for-like basis. New business value (NBV) decreased 16 percent on a like-for-like basis, driven by lower new business volumes, unfavorable economic assumption changes due to lower yields in EMEA and operating assumption changes impacting mainly Australia and Japan. On a reported basis, NBV declined 19 percent.

Operating update (continued)

Farmers

in USD millions, for the years ended December 31	**2020**	2019	Change
Farmers Management Services (FMS)	1,375	1,456	(6%)
Farmers Re	26	15	76%
Farmers Life	100	236	(58%)
Total business operating profit	**1,501**	**1,707**	**(12%)**

Farmers Management Services (FMS) business operating profit decreased 6 percent compared to the prior year. This was mainly driven by reduced fee revenues as a result of the premium credits of approximately USD 311 million to customers at the Farmers Exchanges in the first half of the year. As a result, the managed gross earned premium margin decreased 0.2 percentage point to 6.8 percent mainly due to the COVID-19 related impact. The result was also impacted by lower investment income as a result of decreasing investment yields and an unfavorable mark-to-market impact on a deferred compensation plan compared with a favorable impact in the prior year.

Farmers Re business operating profit of USD 26 million was USD 11 million higher than in the prior year driven by an improved loss ratio.

Farmers Life business operating profit of USD 100 million was 58 percent lower than in the prior year. The result was mainly driven by higher mortality compared with a favorable experience in the prior year and annual assumption updates. This includes USD 45 million of claims related to COVID-19 in the second half of the year and USD 6 million relating to an accelerated amortization of deferred acquisition costs.

Farmers Exchanges

The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

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 Re.

in USD millions, for the years ended December 31	**2020**	2019	Change
Gross written premiums	20,108	20,656	(3%)
Gross earned premiums	20,109	20,441	(2%)

Gross written premiums at the Farmers Exchanges decreased 3 percent and were broadly flat, excluding USD 311 million of COVID-19 related premium credits and lower volumes of commercial rideshare business following measures initiated by U.S. states in response to the COVID-19 outbreak.

Operating update (continued)

Group Functions and Operations

in USD millions, for the years ended December 31	2020	2019	Change
Holding and Financing	(353)	(449)	21%
Headquarters	(356)	(268)	(33%)
Total business operating profit	**(709)**	**(716)**	**1%**

The business operating loss reported under Group Functions and Operations improved by USD 7 million to USD 709 million. This was driven by a USD 96 million reduction in Holding and Financing costs due to lower interest expenses, partially offset by an increase in headquarter expenses compared to prior year as a result of increased investments in innovative new business propositions, and cyber security.

Non-Core Businesses

in USD millions, for the years ended December 31	2020	2019	Change
Zurich Legacy Solutions	(14)	(49)	71%
Other run-off	(40)	(3)	nm
Total business operating profit	**(54)**	**(52)**	**(4%)**

The Group's Non-Core Businesses, which comprises run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported an operating loss of USD 54 million driven by adverse developments in a legacy life portfolio as a result of the COVID-19 outbreak.

Financial update

Balance sheet review

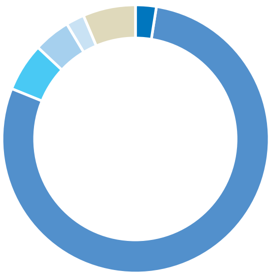
Total assets and liabilities:

The total assets of the Group increased to USD 439 billion in 2020 from USD 405 billion in 2019, mainly driven by an increase in cash and investments. While the overall asset allocation remained stable, falling interest rates and the recovery in equity markets improved market valuation of debt and equity securities and investments for unit-linked contracts.

Investment property increased by USD 1.5 billion, driven by additions to real estate portfolio and foreign exchange impacts due to a weakened U.S. dollar. Group assets held for sale increased to USD 2.5 billion following the decision to divest certain businesses in the U.K. and offset by completing divestments of certain portfolios in the U.S., U.K. and Germany. The Group's 2020 acquisitions added USD 366 million of goodwill.

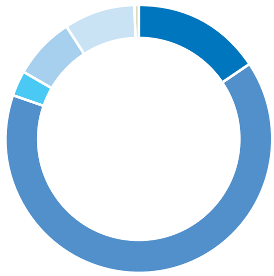
These factors also drove an increase in the total liabilities for the Group to USD 399 billion from USD 368 billion in 2019.

Group assets
Total assets as of December 31, 2020
(in USD millions)



Cash and cash equivalents	11,106
Total investments	345,456
Reinsurers' share of liabilities	25,523
Deferred policy acquisition costs	20,021
Intangible assets	9,345
Other assets	27,848

Group liabilities and equity
Total liabilities and equity as of December 31, 2020
(in USD millions)



Liabilities for investment contracts	69,507
Liabilities for insurance contracts	283,497
Debt	13,777
Other liabilities	32,673
Shareholders' equity	38,278
Non-controlling interests	1,568

Shareholders' equity:

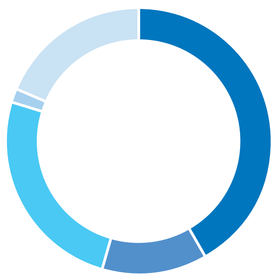
The Group's shareholder equity increased by USD 3.3 billion to USD 38.3 billion in 2020 from USD 35.0 billion in 2019. The increase was mainly driven by net income for the year of USD 3.8 billion and unrealized gains on available-for-sale investments, partially offset by the dividend of USD 3.1 billion paid in 2020.

Treasury and capital management

The Group's balance sheet remains strong, as demonstrated by S&P and Moody's financial strength ratings for the Zurich Insurance Company Ltd of AA- and Aa3 with a positive and stable outlook, respectively. In addition, as of December 31, 2020, the Group's estimated SST ratio remained strong at 182 percent.

During the year the Group saw net remittances of USD 3.4 billion and remains committed to the 2020–2022 financial target to exceed USD 11.5 billion over this period. The level of remittances has been driven both by operational earnings and capital released as a result of the Group's efforts to extract capital from non-core businesses.

Net cash remittances by business
for the year ended December 31, 2020
(in USD millions)



Property & Casualty	2,279
Life	687
Farmers	1,378
Non-Core Businesses	102
Group Functions and Operations	(1,000)

Financial update (continued)

Significant transactions in 2020

On December 11, 2020, Zurich subsidiary Farmers Group, Inc. and the Farmers Exchanges[1] entered into an agreement to acquire MetLife's U.S. property and casualty business for USD 3.9 billion. The transaction is subject to regulatory approval and is expected to complete in Q2 2021. The transaction will give Farmers Exchanges a nationwide presence and access to new distribution channels that provide a strong platform for accelerated growth, whilst further increasing Zurich's stable, fee-based earnings streams. The Farmers Exchanges will offer their personal lines products on MetLife's industry-leading U.S. Group Benefits platform, which today reaches 3,800 companies and 37 million employees.

In July 2020, LiveWell was created under the working name of WellCare to bring together the Group's existing health and wellbeing initiatives and expand the services into new markets. On December 15, 2020 the Group completed the acquisition of Healthinsite Proprietary Limited and Insite Holding Pty Limited. The acquisitions will boost Zurich's capabilities to deploy innovative health and wellbeing offerings to customers across markets globally with a scalable and modular proposition, aligning with the accelerating global adoption of health technology.

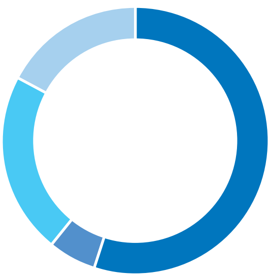
On November 2, 2020, Zurich Holding Company of America, Inc., Zurich American Life Insurance Company and Zurich American Life Insurance Company of New York completed the sale of the Corporate Life and Pensions (CLP) business to Aflac Incorporated (Aflac) and its insurance subsidiaries, American Family Life Assurance Company of Columbus and American Family Life Assurance Company of New York.

Being a responsible taxpayer

As part of Zurich's tax strategy, the Group strives to manage tax costs- and control-associated risks for the benefit of its customers, employees, shareholders and for society as a whole. The Group employs rigorous tax accounting and reporting oversight. The location of Group subsidiaries and affiliated companies is driven by business reasons and not the avoidance of tax. The Group's consolidated result includes only a very limited number of companies located in low or nil tax rate jurisdictions and in all cases these carry out operative insurance, reinsurance and asset management activities.

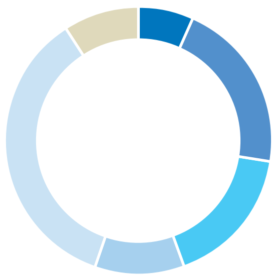
Total tax contribution reflects Zurich's economic contribution to the economy in taxes – the direct and indirect taxes paid by Zurich ('tax borne by the shareholders') and those taxes that Zurich is legally obliged to collect on behalf of the tax administrations ('tax collected'):

Taxes born by Shareholders
Total 2019: USD 2.2bn (all numbers based on IFRS excluding deferred income tax)



Shareholder income tax	55%
Stamp duty and other taxes	6%
Employer social security	22%
Irrecoverable VAT	17%

Taxes collected
Total 2019[2]: USD 6.2bn (all numbers based on IFRS excluding deferred income tax)



Employer social security	7%
Other taxes (incl. WHT)	21%
Payroll tax	17%
PH income and other taxes	11%
Premium tax	36%
VAT declared	9%

See more details on our tax strategy in our Sustainability pages at www.zurich.com/en/sustainability.

The shareholders' effective tax rate increased to 23.9 percent for the period ended December 31, 2020 compared with 23.6 percent for the same period of 2019. The increase was driven primarily by less favorable shifts in the geographical profit mix towards lower tax rate jurisdictions resulting from COVID-19 claims experience.

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Zurich Insurance Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.
2 The total tax contribution for 2020 will reported in Zurich's tax strategy report, which will be published in Q2 2021.

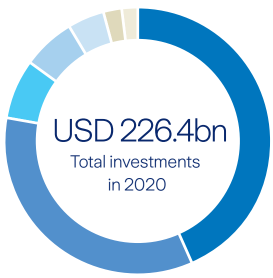
Message from our Group Chief Investment Officer

Consistent execution pays off.

Our portfolios proved to be resilient in times of market stress and delivered a solid investment performance.

Urban Angehrn
Group Chief Investment Officer

Total investments[1], 2020
%



Credit, private debt	43.6%
Government and government guaranteed	34.3%
Real estate	7.3%
Cash	6.3%
Equities	4.7%
Mortgages	2.1%
Hedge funds, private equity	1.8%

1 Market value of the investment portfolio (economic view).

Message from our Group Chief Investment Officer (continued)

The year like no other

2020 was a year that will undoubtedly be remembered for decades. We witnessed the once-in-a-generation event of a pandemic, experienced the fastest market selloff on record coupled with a sharp economic contraction, and saw equally spectacular rebounds of economic activity and capital markets. In addition, lockdowns across the globe and challenges associated with remote working put our investment team to the test. Reflecting on where we are today and looking back at our response to such unprecedented events, we have handled the crisis well by consistently executing our long-term investment strategy.

Robust investment process and high-quality investment portfolio

First and foremost, our disciplined investment process demonstrated its robustness during market stress. Portfolios proved to be stable, as evidenced by insignificant defaults and low velocity of downgrades. As a result, impairments booked were capped at around USD 300 million, predominantly in equity securities. Zurich's fixed-income portfolio maintained its high-quality profile with 96 percent invested in securities with credit rating BBB- and above. Our credit portfolio is well diversified across industries and issuers with the largest single non-sovereign exposure comprising only 0.8 percent of the total investment portfolio. As of year-end, 94 percent of our credit and private debt portfolio was allocated to investment grade securities. Our private debt portfolio showed its resilience in challenging market conditions due to a deliberate preference for senior securities and strong collateral. In real estate, our focus on core assets in prime locations helped us mitigate the adverse effects of the lockdown. COVID-19-related rental losses were immaterial and investment income from real estate was, in fact, up on the prior year.

Solid investment return

The quality of Zurich's investment portfolios manifested itself in the relatively limited impact on our investment result. Our net investment income decreased by 7 percent to USD 4.9 billion driven by falling U.S. dollar-denominated yields and lower dividend income from equities. Net capital gains remained broadly flat compared to prior year, at USD 2.0 billion, and were supported by the strong performance of risky assets in the second half of 2020, as well as by the exceptional performance of our hedge fund portfolio, which returned 18 percent and contributed more than USD 300 million to the Group result. Overall, our full-year total investment return reached 6.4 percent, a strong performance given the unprecedented market developments throughout the year.

Stronger focus on responsible investment

2020 was also a pivotal year for our responsible investment strategy. In the third quarter, we exceeded our USD 5 billion target for impact investments and by the end of the year our impact portfolio reached an impressive USD 5.8 billion. Our market-leading impact investing approach aims to prioritize environmental and social goals by building a portfolio of the necessary size to avoid 5 million tons of CO2e and improve the lives of 5 million people a year. As of year-end, our impact investment portfolio helped save 2.9 million tons of CO2e and improved the lives of 3.7 million people. These are very tangible achievements. They demonstrate that, by doing well and doing good, we contribute to making Zurich one of the most responsible and impactful businesses in the world.

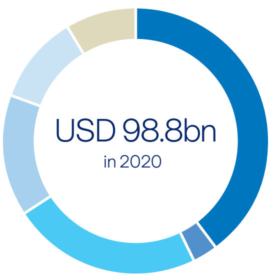
Further details are available online:
www.zurich.com/en/sustainability/responsible-investment

Urban Angehrn
Group Chief Investment Officer

Rating of Credit, Private Debt Securities, 2020
%

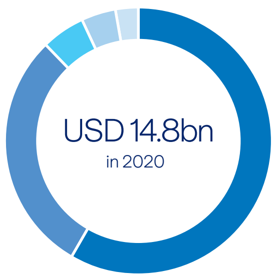
AAA	18.8%
AA	15.3%
A	24.6%
BBB	35.4%
Non-investment grade	5.3%
Unrated	0.6%

Credit and Private Debt Securities per segment, 2020
%



Non-Financial Credit	32.0%
Financial Credit	22.4%
Municipals, Agencies, State Credit	18.4%
Other	11.9%
Asset Backed Securities	8.7%
Covered Bonds	6.7%

Direct investment real estate by sector, 2020
%



Office	58.5%
Residential	29.5%
Industrial	5.4%
Retail	4.1%
Other	2.6%

Consolidated financial statements

Contents

Consolidated financial statements (continued)

Consolidated income statements

in USD millions, for the years ended December 31	Notes	2020	2019
Revenues			
Gross written premiums		48,221	48,056
Policy fees		2,334	2,469
Gross written premiums and policy fees		50,555	50,525
Less premiums ceded to reinsurers		(9,988)	(9,274)
Net written premiums and policy fees		40,567	41,251
Net change in reserves for unearned premiums	10	(623)	(949)
Net earned premiums and policy fees		39,944	40,302
Farmers management fees and other related revenues	26	3,703	3,780
Net investment income on Group investments		4,903	5,298
Net capital gains/(losses) and impairments on Group investments		2,047	2,093
Net investment result on Group investments	6	6,950	7,391
Net investment result on unit-linked investments		7,389	19,485
Net gains/(losses) on divestment of businesses	5	57	(295)
Other income		957	1,129
Total revenues		59,001	71,792
Benefits, losses and expenses			
Insurance benefits and losses, gross of reinsurance	10	35,899	33,620
Less ceded insurance benefits and losses	10	(8,158)	(6,051)
Insurance benefits and losses, net of reinsurance	10	27,741	27,570
Policyholder dividends and participation in profits, net of reinsurance	10	8,325	20,582
Underwriting and policy acquisition costs, net of reinsurance	10	8,555	8,529
Administrative and other operating expense	12	8,006	8,020
Interest expense on debt		399	401
Interest credited to policyholders and other interest		581	590
Total benefits, losses and expenses		53,606	65,692
Net income before income taxes		5,395	6,100
of which: Attributable to non-controlling interests		339	356
Income tax (expense)/benefit	17	(1,323)	(1,716)
attributable to policyholders	17	(46)	(365)
attributable to shareholders	17	(1,277)	(1,351)
of which: Attributable to non-controlling interests		(102)	(119)
Net income after taxes		**4,071**	**4,384**
attributable to non-controlling interests		238	237
attributable to shareholders		3,834	4,147
in USD			
Basic earnings per share	19	25.85	28.01
Diluted earnings per share	19	25.56	27.69
in CHF			
Basic earnings per share	19	24.24	27.84
Diluted earnings per share	19	23.98	27.51

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Consolidated statements of comprehensive income

in USD millions, for the years ended December 31

	Net income attributable to shareholders	Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges
2019			
Comprehensive income for the period	4,147	3,336	91
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		4,924	126
Reclassification to income statement (before tax, foreign currency translation effects and allocation to policyholders)		(1,042)	(39)
Reclassification to retained earnings		–	–
Deferred income tax (before foreign currency translation effects)		(580)	(3)
Foreign currency translation effects		34	7
2020			
Comprehensive income for the period	3,834	1,716	71
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		2,942	64
Reclassification to income statement (before tax, foreign currency translation effects and allocation to policyholders)		(1,093)	(37)
Reclassification to retained earnings		–	–
Deferred income tax (before foreign currency translation effects)		(336)	–
Foreign currency translation effects		203	44

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Cumulative foreign currency translation adjustment	Total other comprehensive income recycled through profit or loss	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income not recycled through profit or loss	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Total comprehensive income attributable to non-controlling interests	Total comprehensive income
(103)	3,323	13	(41)	(28)	3,295	7,442	478	7,921
154	5,204	9	49	58	5,262			
(258)	(1,338)	–	–	–	(1,338)			
–	–	–	–	–	–			
–	(583)	4	(28)	(24)	(607)			
–	41	–	(62)	(62)	(22)			
585	2,372	61	(91)	(30)	2,342	6,176	211	6,387
601	3,608	83	29	112	3,720			
(17)	(1,146)	–	–	–	(1,146)			
–	–	(17)	–	(17)	(17)			
–	(337)	(5)	(13)	(18)	(355)			
	247	–	(107)	(107)	140			

Consolidated financial statements (continued)

Consolidated balance sheets

Assets

in USD millions, as of December 31	Notes	**2020**	2019
Assets:			
Cash and cash equivalents		**11,106**	**7,880**
Total Group investments	6	210,398	193,312
Equity securities		19,493	18,296
Debt securities		161,710	147,507
Investment property		14,749	13,261
Mortgage loans		5,783	5,935
Other loans		8,620	8,274
Investments in associates and joint ventures		43	39
Investments for unit-linked contracts		135,058	126,211
Total investments		**345,456**	**319,523**
Reinsurers' share of liabilities for insurance contracts	8	25,523	22,752
Deposits made under reinsurance contracts		503	726
Deferred policy acquisition costs	11	20,021	19,207
Deferred origination costs	11	426	400
Receivables and other assets	15	20,362	19,357
Deferred tax assets	17	1,314	1,151
Assets held for sale[1]	5	2,538	2,087
Property and equipment	13	2,705	2,635
Attorney-in-fact contracts	14	1,025	1,025
Goodwill	14	4,089	3,610
Other intangible assets	14	4,230	4,333
Total assets		**439,299**	**404,688**

1 As of December 31, 2020, the Group had USD 2.5 billion of assets held for sale based on agreements signed to sell business of Zurich Insurance plc and Zurich International Life Limited (see note 5). In 2019, the Group reclassified USD 2 billion of assets to held for sale based on agreements signed to sell business in the UK and Germany (see note 5).

Consolidated financial statements (continued)

Liabilities and equity

in USD millions, as of December 31	Notes	2020	2019
Liabilities			
Liabilities for investment contracts	9	69,507	61,761
Deposits received under ceded reinsurance contracts		910	994
Deferred front-end fees		5,372	5,173
Liabilities for insurance contracts	8	283,497	264,140
Obligations to repurchase securities		784	977
Other liabilities	16	17,992	16,567
Deferred tax liabilities	17	5,136	4,533
Liabilities held for sale[1]	5	2,477	1,996
Senior debt	18	5,470	5,148
Subordinated debt	18	8,306	6,852
Total liabilities		**399,453**	**368,139**
Equity			
Share capital	19	11	11
Additional paid-in capital	19	1,438	1,235
Net unrealized gains/(losses) on available-for-sale investments		5,701	3,985
Cash flow hedges		526	454
Cumulative foreign currency translation adjustment[2]		(8,698)	(9,349)
Revaluation reserve		284	223
Retained earnings[2]		39,016	38,445
Shareholders' equity		38,278	35,004
Non-controlling interests		1,568	1,545
Total equity		**39,846**	**36,549**
Total liabilities and equity		**439,299**	**404,688**

1 As of December 31, 2020, the Group had USD 2.5 billion of liabilities held for sale based on agreements to sell business of Zurich Insurance plc and Zurich International Life Limited (see note 5). In 2019, the Group reclassified USD 2 billion of liabilities to held for sale based on agreements to sell certain businesses in the UK and Germany (see note 5).
2 Restated in line with Hyperinflation reclassification in Consolidated statements of changes in equity.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Consolidated statements of cash flows

in USD millions, for the years ended December 31	**2020**	2019
Cash flows from operating activities		
Net income attributable to shareholders	3,834	4,147
Adjustments for:		
Net (gains)/losses on divestment of businesses	(57)	295
(Income)/expense from equity method accounted investments	(3)	(3)
Depreciation, amortization and impairments of fixed and intangible assets	911	967
Other non-cash items	558	248
Underwriting activities:	8,029	19,597
Liabilities for insurance contracts, gross	7,594	11,073
Reinsurers' share of liabilities for insurance contracts	(2,105)	(2,423)
Liabilities for investment contracts	3,047	11,159
Deferred policy acquisition costs	(627)	(761)
Deferred origination costs	1	18
Deposits made under assumed reinsurance contracts	206	154
Deposits received under ceded reinsurance contracts	(87)	377
Investments:	(7,893)	(20,390)
Net capital (gains)/losses on total investments and impairments	(8,264)	(20,006)
Net change in derivatives	42	(347)
Net change in money market investments	(572)	(584)
Sales and maturities		
Debt securities	47,775	54,248
Equity securities	57,137	61,018
Other	6,100	7,369
Purchases		
Debt securities	(48,527)	(56,272)
Equity securities	(56,741)	(59,392)
Other	(4,842)	(6,423)
Net changes in sale and repurchase agreements	(248)	(361)
Movements in receivables and payables	609	718
Net changes in other operational assets and liabilities	50	(636)
Deferred income tax, net	(89)	302
Net cash provided by/(used in) operating activities	5,701	4,884

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

in USD millions, for the years ended December 31	2020	2019
Cash flows from investing activities		
Additions to tangible and intangible assets	(552)	(752)
Disposals of tangible and intangible assets	60	114
(Acquisitions)/disposals of equity method accounted investments, net	12	(5)
Acquisitions of companies, net of cash acquired	(26)	(1,672)
Divestments of companies, net of cash divested	8	108
Dividends from equity method accounted investments	1	1
Net cash provided by/(used in) investing activities	(496)	(2,206)
Cash flows from financing activities		
Dividends paid	(3,232)	(3,036)
Net movement in treasury shares	(214)	(101)
Issuance of debt	2,015	1,398
Repayment of debt	(1,024)	(1,367)
Lease principal repayments	(217)	(196)
Net cash provided by/(used in) financing activities	(2,672)	(3,302)
Foreign currency translation effects on cash and cash equivalents	666	41
Change in cash and cash equivalents	3,199	(583)
Cash and cash equivalents as of January 1	8,527	9,110
Total cash and cash equivalents as of December 31	**11,726**	**8,527**
of which: Cash and cash equivalents	11,106	7,880
of which: Unit-linked	620	647
Other supplementary cash flow disclosures[1]		
Other interest income received	4,479	4,830
Dividend income received	1,367	1,764
Other interest expense paid	(928)	(907)
Income taxes paid	(1,406)	(1,534)

1 These amounts are primarily included in the operating activities of the Cash flow statement.

Cash and cash equivalents

in USD millions, as of December 31	2020	2019
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	10,949	7,989
Cash equivalents	777	537
Total	**11,726**	**8,527**

For the periods ended December 31, 2020 and 2019, cash and cash equivalents held to meet local regulatory requirements were USD 440 million and USD 313 million, respectively.

Consolidated financial statements (continued)

Consolidated statements of changes in equity

in USD millions

	Share capital	Additional paid-in capital
Balance as of December 31, 2018 as previously reported	11	1,180
Effect of adoption IFRS 16[1]	–	–
Effect of adoption IAS 29 and restatement under IFRIC 7[2]	–	–
Balance as of January 1, 2019 after the adoption of IFRS 16, IAS 29 and restatement under IFRIC 7	11	1,180
Issuance of share capital	–	–
Dividends to shareholders	–	–
Share-based payment transactions	–	55
Treasury share transactions	–	–
Cumulative foreign currency translation adjustment due to hyperinflation	–	–
Reclassification from revaluation reserves	–	–
Total comprehensive income for the period, net of tax	–	–
Net income	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–
Cash flow hedges	–	–
Cumulative foreign currency translation adjustment	–	–
Revaluation reserve	–	–
Net actuarial gains/(losses) on pension plans	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of December 31, 2019	11	1,235
Balance as of December 31, 2019 as previously reported	11	1,235
Issuance of share capital	–	233
Dividends to shareholders	–	–
Share-based payment transactions	–	(30)
Treasury share transactions	–	–
Change in ownership interests with no loss of control	–	–
Cumulative foreign currency translation adjustment due to hyperinflation[3]	–	–
Reclassification from revaluation reserves	–	–
Total comprehensive income for the period, net of tax	–	–
Net income	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–
Cash flow hedges	–	–
Cumulative foreign currency translation adjustment	–	–
Revaluation reserve	–	–
Net actuarial gains/(losses) on pension plans	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of December 31, 2020	**11**	**1,438**

1 Effect of adoption of IFRS 16 'Leases' (2019 adoption).
2 Effect of adoption of IAS 29 'Financial Reporting in Hyperinflationary Economies.' (2019 adoption) In addition to the adoption of IAS 29 in 2019, in March 2020 clarification by IFRS Interpretations Committee the Group amended the presentation of effects of initial application of hyperinflationary accounting within equity which resulted in a reclassification of USD 204 million from retained earnings to cumulative foreign currency translation adjustment (CTA). This additional restatement on the initial adoption in 2019 has increased CTA from USD 116 million to USD 320 million and decreased retained earnings from (USD 66 million) to (USD 270 million).
3 Current year effect of IAS 29 'Financial Reporting in Hyperinflationary Economies'.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges	Cumulative foreign currency translation adjustment	Revaluation reserve	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
649	363	(9,676)	211	37,452	30,189	1,613	31,802
–	–	–	–	(130)	(130)	–	(130)
–	–	320	–	(270)	50	13	63
649	363	(9,357)	211	37,052	30,109	1,626	31,735
–	–	–	–	–	–	–	–
–	–	–	–	(2,819)	(2,819)	(218)	(3,036)
–	–	–	–	(63)	(8)	–	(8)
–	–	–	–	169	169	–	169
–	–	111	–	–	111	8	119
–	–	–	–	–	–	–	–
3,336	91	(103)	13	4,106	7,442	478	7,921
–	–	–	–	4,147	4,147		
3,336	–	–	–	–	3,336		
–	91	–	–	–	91		
–	–	(103)	–	–	(103)		
–	–	–	13	–	13		
–	–	–	–	(41)	(41)		
–	–	–	–	–	–	(350)	(350)
3,985	454	(9,349)	223	38,445	35,004	1,545	36,549
3,985	454	(9,349)	223	38,445	35,004	1,545	36,549
–	–	–	–	–	233	–	233
–	–	–	–	(3,080)	(3,080)	(152)	(3,232)
–	–	–	–	50	20	–	20
–	–	–	–	(157)	(157)	–	(157)
–	–	–	–	(3)	(3)	–	(3)
–	–	67	–	–	67	6	73
–	–	–	–	17	17	–	17
1,716	71	585	61	3,742	6,176	211	6,387
–	–	–	–	3,834	3,834		
1,716	–	–	–	–	1,716		
–	71	–	–	–	71		
–	–	585	–	–	585		
–	–	–	61	–	61		
–	–	–	–	(91)	(91)		
–	–	–	–	–	–	(42)	(42)
5,701	**526**	**(8,698)**	**284**	**39,016**	**38,278**	**1,568**	**39,846**

Zurich Insurance Group Ltd and its subsidiaries (collectively the Group) is a provider of insurance products and related services. The Group operates in Europe, Middle East & Africa (EMEA), North America, Latin America and Asia Pacific through subsidiaries, as well as branch and representative offices.

Zurich Insurance Group Ltd, a Swiss corporation, is the holding company of the Group and its shares are listed on the SIX Swiss Exchange. Zurich Insurance Group Ltd was incorporated on April 26, 2000, in Zurich, Switzerland. It is recorded in the Commercial Register of the Canton of Zurich under its registered address at Mythenquai 2, 8002 Zurich.

On February 10, 2021, the Board of Directors of Zurich Insurance Group Ltd authorized these consolidated financial statements for issue. These financial statements will be submitted for approval to the Annual General Meeting of Shareholders to be held on April 7, 2021.

1. Basis of presentation

General information

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law. Where IFRS does not contain clear guidance governing the accounting treatment of certain transactions, including those that are specific to insurance and reinsurance products, IFRS permits reference to another comprehensive body of accounting principles that uses a similar conceptual framework. The Group's accounting policies for insurance and reinsurance contracts are therefore based on those developed by the Group before the adoption of IFRS 4 in areas where IFRS 4 did not include specific requirements. Before the adoption of IFRS 4, the Group typically applied U.S. GAAP pronouncements issued by the Financial Accounting Standards Board (FASB) on insurance and reinsurance contracts. Any changes to such pronouncements subsequent to this adoption are not reflected in the Group's accounting policies. In case of business combinations, the Group may decide to maintain the local statutory treatment if this does not distort the fair presentation of the financial position of the Group. If significant, the impact of such cases would be described elsewhere in the notes to these consolidated financial statements.

The accounting policies applied by the reportable segments are the same as those applied by the Group. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices. Dividends, realized capital gains and losses as well as gains and losses on the transfer of net assets are eliminated within the segment, whereas all other intercompany gains and losses are eliminated at Group level. In the consolidated financial statements, inter-segment revenues and transfers are eliminated.

Certain amounts recorded in the consolidated financial statements reflect estimates and assumptions made by management about insurance liability reserves, investment valuations, interest rates and other factors. Since the end of 2019, the COVID-19 pandemic has developed rapidly with far-reaching impacts across the insurance industry and the global economy overall. The global nature of the pandemic and the varying government actions taken to mitigate it make the potential losses (including the wide range of related coverage issues generated) inherently more difficult to model than traditional catastrophic losses or other loss events with a consequent increase in uncertainty around them. Management has considered the effect of COVID-19 to the extent possible in its estimates and assumptions. Specifically, insurance liabilities reflect management's best estimate of claims activity directly related to COVID-19 as well as premium returns and rebates to customers where appropriate. For additional information on insurance liabilities, please refer to note 8.

Investment valuations and interest rates incorporate market conditions as of December 31, 2020 and recoverability of intangible assets has been tested where the value of these intangible assets, including goodwill, is sensitive to prevailing economic conditions. For more information on investments and fair value, please see note 6 and 23, respectively. For more information on intangible assets, please see note 14. Management has also implemented recent amendments to IFRS 16 Leases which allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. The impact of the amendments to IFRS 16 Leases are immaterial to the Group. Actual results may differ from the estimates and assumptions made.

Disclosures under IFRS 4 'Insurance Contracts' and IFRS 7 'Financial Instruments: Disclosures' relating to the nature and extent of risks, and capital disclosures under IAS 1 'Presentation of Financial Statements' have been included in the audited sections of the risk review on pages 131 to 158, and they form an integral part of the consolidated financial statements.

The Group's consolidated balance sheets are not presented using a current/non-current classification. The following balances are generally considered to be current: cash and cash equivalents, deferred policy acquisition costs on property & casualty contracts, receivables, reserve for premium refunds and obligations to repurchase securities.

Consolidated financial statements (continued)

The following balances are generally considered to be non-current: equity securities, investment property, investments in associates and joint ventures, deferred policy acquisition costs on life insurance contracts, deferred tax assets, property and equipment, goodwill, other intangible assets and deferred tax liabilities.

The following balances are mixed in nature (including both current and non-current portions): debt securities, mortgage loans, other loans, reinsurers' share of liabilities for insurance contracts, deposits made under assumed reinsurance contracts, deferred origination costs, other assets, reserves and investments for unit-linked contracts, liabilities for investment contracts, deposits received under ceded reinsurance contracts, deferred front-end fees, reserves for losses and loss adjustment expenses, reserves for unearned premiums, future life policyholder benefits, policyholder contract deposits and other funds, other liabilities, senior and subordinated debt, and assets and liabilities held for sale.

Maturity tables have been provided for the following balances: debt securities (table 6.4), derivative assets and derivative liabilities (tables 7.1 and 7.2), reserves for insurance contracts (tables 8.9a and 8.9b), liabilities for investment contracts (tables 9.3a and 9.3b), finance lease receivables (table 13.6), operating lease payments to be received (table 13.7), other financial liabilities (table 16.2), lease liabilities (table 16.3) and outstanding debt (table 18.2).

All amounts in the consolidated financial statements, unless otherwise stated, are shown in U.S. dollars, rounded to the nearest million 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.

Table 1 summarizes the principal exchange rates used for translation purposes. Net gains/(losses) on foreign currency transactions included in the consolidated income statements were USD (65) million and USD (70) million for the years ended December 31, 2020 and 2019, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD 154 million and USD 40 million for the years ended December 31, 2020 and 2019, respectively. In 2019, a cumulative foreign currency translation adjustment loss of USD 258 million was recognized upon closure of the sale of the Group's Venezuelan operations (see note 5).

Table 1

Principal exchange rates

USD per foreign currency unit	Consolidated balance sheets at end-of-period exchange rates		Consolidated income statements and cash flows at average exchange rates	
	12/31/20	12/31/19	**12/31/20**	12/31/19
Euro	1.2231	1.1223	1.1415	1.1196
Swiss franc	1.1304	1.0326	1.0663	1.0063
British pound	1.3656	1.3243	1.2836	1.2762
Brazilian real	0.1924	0.2481	0.1958	0.2540
Australian dollar	0.7716	0.7026	0.6907	0.6953

2. New accounting standards and amendments to published accounting standards

Standards, amendments and interpretations effective or early-adopted as of January 1, 2020 and relevant for the Group's operations

Table 2.1 shows new accounting standards or amendments to and interpretations of standards relevant to the Group that have been implemented for the financial year beginning January 1, 2020, with no material impact on the Group's financial position or performance. Amendments resulting from the annual improvements to IFRS Standards 2018–2020 have no impact on the Group's financial statements.

Table 2.1

Standard/ Interpretation		Effective date
Amended standards		
IFRS 3	Definition of a Business	January 1, 2020
IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	January 1, 2020
IAS 1/IAS 8	Definition of Material	January 1, 2020
IAS 39/IFRS 7	Interest Rate Benchmark Reform	January 1, 2020
IFRS 16	COVID-19-Related Rent Concessions	June 1, 2020[1]
IAS 39/IFRS 7/IFRS 4/ IFRS 16	Interest Rate Benchmark Reform (Phase 2)	January 1, 2020[2]

1 The Group early-adopted the amendment to IFRS 16 'Leases' to account for all lessees' rent concessions occurring as a direct consequence of the COVID-19 pandemic in the same way as if a change in lease payments were not lease modifications. The amendment has no material impact on the Group's financial statements.
2 The Group early-adopted the amendment to IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendment has no material impact on the Group's financial statements.

Standards, amendments and interpretations issued that are not yet effective or adopted by the Group

Table 2.2 shows new accounting standards or amendments to and interpretations of standards relevant to the Group, which are not yet effective or adopted by the Group.

Table 2.2

Standard/ Interpretation		Effective date
New standards/interpretations		
IFRS 9	Financial Instruments	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
Amended standards		
IFRS 3	Reference to the Conceptual Framework	January 1, 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023

IFRS 17 'Insurance contracts' and IFRS 9 'Financial Instruments'

IFRS 17 'Insurance contracts' provides comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary participation features and is expected to have a significant impact on accounting for insurance contracts and presentation of the insurance revenue and insurance service result. For long-duration life insurance contracts, IFRS 17 is expected to have a significant impact on actuarial modeling as granular cash flow projections and regular updates of all assumptions will be required resulting in either profit or loss volatility or affecting 'contractual service margin', a separate component of the insurance liability representing unearned profits from in-force contracts. Further, IFRS 17 introduces different measurement approaches for the insurance contract liabilities reflecting a different extent of policyholder participation in investment or insurance entity performance (non-participating, indirect participating, direct participating).

On June 25, 2020 the International Accounting Standards Board (IASB) published limited amendments to IFRS 17, including an extension of the effective date of IFRS 17 and IFRS 9 by two years to January 1, 2023 (retrospective application). The limited amendments are the result of re-deliberations and incorporate changes to the recognition of the loss recovery component on reinsurance contracts held, allocation of insurance acquisition cash flows to expected contracts renewals and additional transition reliefs.

IFRS 9 'Financial Instruments' introduces a classification and measurement concept for financial assets that is based on the contractual cash flow characteristics and the holding intent. Under IFRS 9, all equity securities and fund investments, and some debt instruments will be measured at fair value through profit or loss because the characteristics of the contractual cash flows from such instruments are not solely payments of principal and interest on the principal amount outstanding. Furthermore, IFRS 9 introduces a requirement to recognize expected credit losses for financial assets carried at amortized cost or at fair value, with changes in fair value recognized in other comprehensive income (OCI). Though overall profit or loss volatility is expected to increase under IFRS 9, the measurement approach for direct participating contracts in IFRS 17 allows such volatility to be largely absorbed in the measurement of insurance liabilities with an option to reflect in shareholders' equity (OCI) the effect of any asset-liability mismatch. Therefore, the Group decided to defer the full implementation of IFRS 9 until IFRS 17 becomes effective to better align the measurement approaches for the financial assets held and the insurance liabilities where appropriate. Based on the analysis performed as of December 31, 2015, the Group was eligible to apply the temporary exemption from the adoption of IFRS 9 for reporting entities that have not previously applied any version of IFRS 9 and whose activities are predominantly related to insurance, as the predominance ratio reflecting the share of liabilities connected with insurance to total liabilities exceeded 90 percent. No reassessment of eligibility was required during subsequent annual periods up to and including 2020 as there was no significant change in the activities performed by the Group. We refer to the Annual Report 2016 for further details on the eligibility assessment. The Group presents additional disclosures of indicative effects from adoption of IFRS 9 required by IFRS 4 'Applying IFRS 9 with IFRS 4' during the period of deferral (see note 24).

In order to adopt IFRS 17 and IFRS 9 in the consolidated financial statements, a joint IFRS 17 and IFRS 9 Group Implementation Program (Program) sponsored by the Group Chief Financial Officer has been operating since 2017. A steering committee comprised of senior management from various functions (finance, risk, IT, operations and investment management) oversees the work performed by individual work streams. A dedicated methodology work stream covers group accounting policies, actuarial methodologies and disclosure requirements to be consistently implemented throughout the Group. This work stream further contributes to the industry wide discussions on standard interpretation and its operational effects and has been closely monitoring the developments in the IASB Transition Resource Group for IFRS 17 and IASB re-deliberations to evaluate the effects and align the accounting policies and actuarial methodologies accordingly. The implementation work stream drives the development of the target core solution landscape at Group and local levels and analyses processes, data and systems implications. In 2020, the focus of the Program was on finalizing the implementation efforts and completing an initial parallel run that will serve as a basis for further analysis of the effects from IFRS 17 on the consolidated financial statements. Though the changes to IFRS 17 introduced in 2020 will result in extension of certain implementation efforts into 2021, the focus of the Program will shift from implementation towards education of key stakeholders and analysis of wider impacts on Group operations.

The Group continues to assess the impact of the application of both IFRS 17 and IFRS 9 as well as the impact of the limited amendments on the implementation to date. As of December 31, 2020 it was not practicable to quantify what the potential impact would be on the Group's financial position or performance once these standards are adopted.

Other standards, amendments and interpretations shown in table 2.2 are expected to have no or an insignificant impact on the Group's financial position or performance.

3. Summary of significant accounting policies

Significant accounting policies applied in these consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated. Other accounting policies are presented as part of the respective note disclosures.

a) Consolidation principles

The Group's consolidated financial statements include the assets, liabilities, equity, revenues, expenses and cash flows of Zurich Insurance Group Ltd and its subsidiaries. A subsidiary is an entity that Zurich Insurance Group Ltd either directly or indirectly controls. The results of subsidiaries acquired are included in the consolidated financial statements from the date of acquisition. The results of subsidiaries that have been divested during the year are included up to the date control ceased. All intra-Group balances, profits and transactions are eliminated.

Changes in ownership interests in a subsidiary that do not result in a change in control are recorded within equity.

Non-controlling interests are shown separately in equity, consolidated income statements, consolidated statements of comprehensive income and consolidated statements of changes in equity.

The consolidated financial statements are prepared as of December 31 based on individual company financial statements at the same date. In some cases, information is included with a time lag of up to three months. The consequent effect on the Group's consolidated financial statements is not material.

b) Foreign currency translation and transactions

Foreign currency translation

Due to the Group's economic exposure to the U.S. dollar (USD), the presentation currency of the Group's consolidated financial statements is USD. Many Group companies have a different functional currency, being that of the respective primary economic environment in which these companies operate. Assets and liabilities are translated into the presentation currency at end-of-period exchange rates, while income statements and statements of cash flows are translated at average exchange rates for the period. The resulting foreign currency translation differences are recorded directly in other comprehensive income (OCI) as cumulative translation adjustment (CTA).

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the date of the transaction or, for practical reasons, a weighted average rate, if exchange rates do not fluctuate significantly. Foreign currency monetary items and foreign currency non-monetary items that are carried at fair value are translated at end-of-period exchange rates. The resulting foreign currency translation differences are recorded in income, except for the following:

– Foreign currency translation differences that are recognized in OCI in conjunction with the recognition of unrealized gains or losses on available-for-sale investments; and
– Foreign currency translation differences arising on monetary items that form part of net investments in foreign operations, as well as foreign currency translation differences arising from monetary items that are designated as hedging instruments in a qualifying net investment hedge relationship, are included directly in OCI as CTA.

Hyperinflation

The Group considers various factors to determine whether an economy in a country where a foreign operation is situated is hyperinflationary, including the cumulative three-year inflation rate. If an economy becomes hyperinflationary, the financial statements of foreign operations with the functional currency of the hyperinflationary economy are restated to reflect the current purchasing power at the end of the reporting period using the official consumer price indices commonly used in the respective country. The restatement includes all balance sheet amounts that are not expressed in terms of the measuring unit current at the balance sheet date and items of comprehensive income for the current year by applying the change in the price index from the dates when the items of income and expense were originally recorded. The restated financial statements of a foreign operation are translated into the Group's presentation currency at closing rates. Any translation adjustment resulting from initial application of the hyperinflationary accounting is recognized directly in equity.

c) Insurance contracts and investment contracts with discretionary participating features (DPF)

Classification

Contracts issued that transfer significant insurance risk to the Group and obligations arising from investment contracts with DPF are accounted for as insurance contracts.

Consolidated financial statements (continued)

The Group also issues products containing embedded options that entitle the policyholder to switch all or part of the current and future invested funds into another product issued by the Group. Where this results in the reclassification of an investment product to a product that meets the definition of an insurance contract, the previously held reserve and the related deferred origination costs are reclassified and are accounted for in accordance with the accounting policy that is to be applied to the new product on a prospective basis. As a consequence, no gain or loss is recognized when a contract is reclassified from an investment to an insurance contract.

Once a contract has been classified as an insurance contract, no reclassification can subsequently be made.

Premiums

Property & Casualty

Premiums from the sale of property & casualty products are generally recorded when written and are recognized as revenue in relation to the insurance coverage provided. The unearned premium reserve represents the portion of the premiums written related to the unexpired coverage period.

Life insurance

Premiums from traditional life insurance contracts, including participating contracts and annuity policies with life contingencies, are recognized as revenue when they are due from the policyholder. For single premium and limited pay contracts, premiums are recognized as revenue when due, with any excess profit deferred and recognized in income in a constant relationship to the insurance in-force or, for annuities, the amount of expected benefit payments.

Amounts collected as premiums from investment-type insurance contracts such as universal life, unit-linked and unitized with-profits contracts are generally reported as deposits. Revenue from these contracts consists of policy fees for the cost of insurance, administration and surrenders during the period. Front-end fees charged to the customer at inception, particularly for single premium contracts, are deferred and recognized over the estimated life of the contracts following the same pattern that is applied to deferred acquisition costs and addressed below. Regular fees charged to the customer periodically (monthly, quarterly or annually) either directly or by making a deduction from invested funds are billed in advance and recognized on a straight-line basis over the period in which the service is rendered. Fees charged at the end of the period are accrued over the service period as a receivable and are offset against the financial liability when charged to the customer.

Cash flows from certain universal life-type contracts in the Group's Spanish operations are recognized as gross written premiums and insurance benefits and losses and not as deposits.

Reserves for losses and loss adjustment expenses

Losses and loss adjustment expenses are charged to income as incurred. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Any changes in estimates are reflected in the results of operations in the period in which estimates are changed. The Group does not discount its loss reserves, other than for claims with payment patterns which are fixed and reasonably determinable, and claims in economies determined to be hyperinflationary where inflation constitutes a significant input in the reserving process.

Reserves for life benefits

Future life policyholder benefits represent the estimated future benefit liability for traditional life insurance policies and include the value of accumulated declared bonuses or dividends that have vested to policyholders.

The reserves for life benefits for participating traditional life insurance policies are calculated using a net level premium valuation method based on actuarial assumptions taking into account guaranteed mortality benefits and interest rates.

The reserves for life benefits for other traditional life insurance policies are calculated using a net level premium valuation method based on actuarial assumptions including mortality, persistency, expenses and investment return, plus a margin for adverse deviations. These assumptions are locked in at inception and are regularly assessed as part of the liability adequacy testing over the period of the contract.

Policyholder contract deposits represent the estimated policy benefits for investment-type insurance contracts invested in non-unit-linked funds. This liability comprises the accumulation of premiums received, less charges, plus declared policyholder dividends.

Certain insurance contracts and investment contracts with DPF offered by the Group contain benefit features for which the amount and timing of declaration and payment are at the discretion of the Group. Where that discretion has not been exercised, the total amount expected to be allocated to policyholders as required by local insurance regulation or contractual provisions is included in the policyholder other funds.

Unrealized gains or losses arising on the revaluation of available-for-sale assets are recorded directly in OCI in accordance with the Group's accounting policy for such assets. Where these assets are related to life insurance, corresponding adjustments to the reserves for life benefits and related assets are also recognized directly in OCI.

Reserves for unit-linked contracts are based on the fair value of the financial instruments backing those contracts less any fees and assessments charged to the policyholders. The related assets for unit-linked insurance contracts are designated at fair value through profit or loss in order to reduce measurement inconsistencies.

For products containing guarantees in respect of minimum death benefits (GMDB), retirement income benefits (GRIB) and/or annuitization options (GAO), additional liabilities are recorded in proportion to the receipt of the contracted revenues which are subject to a loss adequacy test taking into account policyholder behavior and current market conditions.

For products managed on a dynamic basis, an option in IFRS 4 is used to measure insurance liabilities using current financial and non-financial assumptions to better reflect the way that these products are managed. Financial assets related to these liabilities are designated at fair value through profit or loss.

Deferred acquisition costs (DAC)

Costs that vary with and are directly related to the acquisition of new and renewal business, including for example commissions and certain underwriting and policy issue expenses, are deferred and subsequently amortized over a defined period. Such costs are presented on balance sheet net of commissions paid to reinsurers in respect of business ceded.

Property & Casualty

DAC for property & casualty contracts is amortized over the period in which the related premiums are earned.

Life insurance

DAC for traditional participating life insurance contracts is amortized based on estimated gross margins expected to be realized over the life of the contract. Estimated gross margins are updated for actual and anticipated future experience and discounted using the latest revised interest rate for the remaining benefit period. Resulting deviations are reflected in income.

DAC for other traditional life insurance and annuity contracts is amortized over the life of the contracts, based on expected premiums. Expected premiums are estimated at the date of policy issue for application throughout the life of the contract unless a premium deficiency subsequently occurs.

DAC for investment-type insurance contracts such as universal life, unit-linked and unitized with-profits contracts is amortized based on estimated gross profits expected to be realized over the life of the contract. Estimated gross profits are updated for actual and anticipated future experience and discounted using either the interest rate in effect at the inception of the contracts or the latest revised interest rate for the remaining benefit period, depending on whether crediting is based on the policyholder's or on the reporting entity's investment performance. Resulting deviations are reflected in income.

Unamortized DAC for life insurance contracts accrues interest at a rate consistent with the related assumptions for reserves.

For traditional participating and investment-type life insurance contracts, DAC is adjusted for the impact of unrealized gains/(losses) on allocated investments that are recorded in OCI.

Liability adequacy tests

Liability adequacy tests are performed annually for groupings of contracts determined in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

Property & Casualty

For property & casualty contracts, unearned premiums are tested to determine whether they are sufficient to cover related expected losses, loss adjustment expenses, policyholder dividends, unamortized DAC and maintenance expenses, using current assumptions and considering anticipated investment returns. If a premium deficiency is identified, the DAC asset for the respective grouping of contracts is written down by the amount of the deficiency. If, after writing down the DAC asset to nil, a premium deficiency still exists for the respective grouping of contracts, then a premium deficiency reserve is established for the amount of the remaining deficiency.

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Life insurance
For life insurance contracts, the carrying amount of the existing reserve for life benefits, including any deferred front-end fees, reduced by the unamortized balance of DAC or present value of future profits of acquired insurance contracts (PVFP), is compared with the reserve for life benefits, calculated using revised assumptions for actual and anticipated experience as of the valuation date. If a deficiency is identified, the DAC or PVFP for the respective grouping of contracts is written down by the amount of the deficiency. If, after writing down the DAC or PVFP to nil, a deficiency still exists for the respective grouping of contracts, the reserve for life benefits is increased by the amount of the remaining deficiency.

Reinsurance
The Group's insurance subsidiaries cede risk in the normal course of business to limit the potential for losses arising from certain exposures. Reinsurance does not relieve the originating insurer of its liability. Certain Group insurance companies assume reinsurance business as part of their normal business.

Reinsurance contracts that do not transfer significant insurance risk are accounted for using the deposit method.

A deposit asset or liability is recognized based on the premium paid, or received less any explicitly identified premiums or fees to be retained by the ceding company. Interest on deposits is accounted for using the effective interest rate method. Future cash flows are estimated to calculate the effective yield, and revenues and expenses are recorded as interest income or expense. Reinsurance deposit assets or liabilities also include funds deposited or held by the Group under assumed or ceded reinsurance contracts, respectively, when funds are retained by the reinsured under the terms of the contract.

Reinsurance is recorded gross in the consolidated balance sheet. Reinsurance assets include balances expected to be recovered from reinsurance companies for ceded paid and unpaid losses and loss adjustment expenses, ceded unearned premiums and ceded future life policy benefits. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for the liabilities associated with the underlying insurance contracts.

Reinsurance assets are assessed for impairment on a regular basis and impairment losses, if any, are recorded in the same manner as for loans and receivables.

d) Liabilities for investment contracts (without DPF)
Investment contracts are those contracts that do not transfer significant insurance risk. The Group issues investment contracts without fixed terms (unit-linked) and investment contracts with fixed and guaranteed terms (fixed interest rate).

Unit-linked investment contracts
These represent portfolios maintained to meet the specific investment objectives of policyholders who bear the credit, market and liquidity risks related to the investments. The liabilities are carried at fair value, which is determined by reference to the underlying financial assets. Changes in fair value are recorded in income. The related assets for unit-linked investment contracts are designated at fair value through profit or loss in order to reduce measurement inconsistencies.

The services provided by the Group under such contracts are investment management and policy administration services that are provided over time and are not contingent on meeting specified performance criteria. Fees from such services are recognized ratably over the service period as policy fee revenue except where such fees are charged in connection with contract origination in which case such fees are recognized as contract liabilities (included within deferred front-end fees). The costs to fulfill over time services are generally recognized as incurred, except the costs of acquiring new investment contracts with investment management services, such as commissions and other incremental expenses directly related to the issuance of each new contract. Such fees enhance the resources that will be used to satisfy future performance obligations and – to the extent recoverable – are capitalized as contract assets (deferred origination costs; DOC) and amortized in line with the revenue generated by providing investment management services. Refer to note 11 for further information.

Investment contracts at amortized cost
Liabilities for investment contracts with fixed and guaranteed terms are measured at amortized cost using the effective interest rate method. Transaction costs are included in the calculation of the effective yield. As of each reporting date, the Group re-estimates the expected future cash flows and re-calculates the carrying amount of the financial liability by computing the present value of estimated future cash flows using the original effective interest rate for the financial liability. Any adjustment is immediately recognized in income.

e) Group investments excluding derivative financial instruments

Group investments are accounted for at either (a) fair value through OCI; (b) fair value through profit or loss; or (c) amortized cost.

The majority of Group investments are accounted for at fair value through OCI (available-for-sale financial assets) and include debt and equity securities as well as fund investments. Such assets are carried at fair value, with changes in fair value recognized in OCI, until the securities are either sold or impaired. Interest income determined using the effective interest method and dividend income from financial assets at fair value through OCI is included in net investment income. The cumulative unrealized gains or losses recorded in OCI are net of cumulative deferred income taxes, certain related life policyholder liabilities and deferred acquisition costs. When available-for-sale financial assets are sold, impaired or otherwise disposed of, the cumulative gains or losses are reclassified from OCI to income as net capital gains/(losses) on investments and impairments.

Group investments at fair value through profit or loss include debt and equity securities backing certain life insurance contracts with participation features, and financial assets evaluated on a fair value basis. The designation of these assets at fair value through profit or loss eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or recognizing the gains and losses on these assets on a different basis to the liabilities.

Group investments at amortized cost include debt securities for which the Group has the positive intention and ability to hold to maturity (held-to-maturity financial assets) as well as mortgage and other loans (loans and receivables). Such investments are carried at amortized cost using the effective interest rate method, less any charges for impairment. When an impairment is determined to have occurred, the carrying amount of held-to-maturity investments and loans and receivables is reduced through the use of an allowance account, and the movement in the impairment allowance is recognized in income as an impairment loss.

The Group recognizes regular purchases and sales of financial assets on the trade date, which is the date on which the Group commits to purchase or sell the asset.

Realized and unrealized gains and losses arising from changes in the fair value are recognized in income, within net capital gains/(losses) on investments and impairments, in the period in which they arise. Interest income determined using the effective interest method and dividend income from financial assets at fair value through profit or loss is included in net investment income.

Group investments include investment property accounted for at fair value through profit or loss. Rental income from investment property is recognized on a straight-line basis over the lease term and included in net investment income along with rental operating expenses for investment property recognized on an accrual basis.

Group investments include the following in cash and cash equivalents: cash on hand, deposits held at call with banks, cash collateral received, and other highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible into cash and are subject to an insignificant risk of change in fair value. Cash and cash equivalents are stated at current redemption value.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that loss events have occurred that negatively affect the estimated future cash flows of a financial asset or a group of financial assets. The evaluation of whether a financial asset is impaired requires significant judgment (see note 4).

f) Derivative financial instruments and hedge accounting

Derivative financial instruments, except those designated under a qualifying cash flow or net investment hedge relationship, are carried at fair value on the balance sheet with changes in fair value recognized in income.

Derivative financial instruments that qualify for hedge accounting

Derivative financial instruments are used by the Group to economically hedge risks. In limited circumstances derivative financial instruments are designated as hedging instruments for accounting purposes in:

- Fair value hedges which are hedges of the exposure to changes in the fair value of a recognized asset or liability
- Cash flow hedges, which are hedges of the exposure to variability in cash flows attributable to a particular risk either associated with a recognized asset or liability, or a highly probable forecast transaction that could affect profit or loss
- Net investment hedges, which are hedges of a net investment in a foreign operation

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All hedge relationships are formally documented, including the risk management objectives and strategy for undertaking the hedge. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed to determine whether the hedging instruments are expected to be (prospective assessment) and have been (retrospective assessment) highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. If the qualifying criteria for the application of hedge accounting are no longer met, the hedge relationship is discontinued prospectively, in which case the hedging instrument and the hedged item are then subsequently reported independently in accordance with the respective accounting policy.

The accounting treatment of a qualifying hedge relationship is further described in note 7.

g) Attorney-in-fact (AIF) contracts

The AIF contracts reflect the ability of the Group to generate future revenues through Farmers Group Inc. (FGI) based on the FGI's relationship with the Farmers Exchanges. The Farmers Exchanges are not owned by FGI, a wholly owned subsidiary of the Group. In determining that these relationships have an indefinite useful life, the Group took into consideration the organizational structure of inter-insurance exchanges, under which subscribers exchange contracts with each other and appoint an attorney-in-fact to provide non-claims services, and the historical AIF relationship between FGI and the Farmers Exchanges. The value of the AIF contracts is tested for impairment at least annually.

The services provided by FGI under such contracts are non-claims services including risk selection, preparation and mailing of policy documents and invoices, premium collection, management of the investment portfolios and certain other administrative functions. The multiple performance obligations covered by the consideration received are considered to be a series with the same pattern of transfer, therefore, the performance obligations are not separated. The revenue for the services provided includes Farmers management fee, membership fees and revenues for ancillary services. Farmers management fees are determined as a percentage of gross premiums earned by the Farmers Exchanges and recognized ratably over the period the services are provided. Membership fees are one-time fees charged at the time of the policy issuance that do not cover a distinct performance obligation. Such fees are recognized as revenue over the expected life of the customer relationship. The incremental costs incurred in connection with the customer setup activity are recognized as an asset and subsequently amortized using the same pattern as the related revenue. The revenue for ancillary services includes remuneration for services provided that are not covered by Farmers management fees where FGI acts as a principal. Typically, these services are provided over time, so that the revenue is also recognized over time. Refer to note 26 for further information.

h) Goodwill

Goodwill on the acquisition of subsidiaries is capitalized and tested for impairment annually, or more frequently if there are indications of impairment. For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGUs) based on the level at which management monitors operations and makes decisions related to the continuation or disposal of assets and operations. If goodwill has been allocated to a CGU and an operation within that unit is disposed of, the carrying amount of the operation includes attributable goodwill when determining the gain or loss on disposal.

i) Intangible assets

All intangible assets have finite lives and are carried at cost, less accumulated amortization and impairments. Such assets are generally amortized using the straight-line method over their useful lives and reviewed for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Present value of future profits from acquired insurance contracts (PVFP)

An intangible asset representing the PVFP arises from the acquisition of life insurance businesses. Such an asset is amortized over the expected life of the acquired contracts, following the same principles as for DAC. The carrying value of the PVFP asset is tested periodically for impairment as part of the liability adequacy test for insurance contracts.

Distribution agreements

Distribution agreements may have useful lives extending up to 30 years, estimated based on the period of time over which they are expected to provide economic benefits, but for no longer than the contractual term, after taking into account all economic and legal factors such as stability of the industry, competitive position and the period of control over the assets.

Software

Costs associated with research and maintenance of internally-developed computer software are expensed as incurred. Costs incurred during the development phase are capitalized. Software under development is tested for impairment annually.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into use.

The useful lives of computer software licenses and capitalized internal software development costs generally range from three to five years. In limited circumstances, capitalized software development costs may be amortized over a period of up to 10 years, taking into account the effects of obsolescence, technology, competition and other economic and legal factors.

j) Employee benefits

Share-based compensation and cash incentive plans

The Group operates long-term incentive plans that are accounted for as equity-settled share-based compensation plans. The fair value of these incentive plans is determined at the grant date and is recognized as an expense in income over the vesting period, with a corresponding increase recorded in additional paid-in capital.

Subsequently, depending on the underlying performance metrics, the Group revises its estimates of the number of shares that are expected to be issued and recognizes the impact of the revision, if any, in income with a corresponding adjustment to additional paid-in capital. However, no subsequent adjustment is made after the vesting date.

Retirement benefits

Contributions to defined contribution plans are recorded as an expense in the period in which the economic benefit from the employees' service was received.

Defined benefit plan obligations and contributions are determined annually by qualified actuaries using the projected unit credit method. The Group's expense related to these plans is accrued over the employees' service periods based on the actuarially determined cost for the period. Net interest and service costs are determined using the spot rate approach. Actuarial gains and losses are recognized, in full in the period in which they occur, in OCI. Past service costs, which result from plan amendments and curtailments, are recognized in income when the plan amendment or curtailment occurs (which is the date from which the plan change is irrevocable) and the date on which a constructive obligation arises. Settlement gains or losses are recognized in income when the settlement occurs.

Other post-employment benefits

Other post-employment benefits, such as medical care and life insurance, are also provided for certain employees and are primarily funded internally. Similar to defined benefit plans, the cost of such benefits is accrued over the service period of the employees based on the actuarially determined cost for the period.

k) Leases

The Group is typically acting as a lessee in property and car or equipment leases. Further, the Group is acting as a lessor in leases of investment property.

When acting as a lessee, under IFRS 16, the Group recognizes a right-of-use asset and a corresponding lease liability at the lease commencement date when the leased asset is available for use by the Group. The lease liability is measured at the present value of the lease payments due over the lease term, discounted using the Group's incremental borrowing rate. Any options to extend or terminate a lease that the Group is reasonably certain to exercise are included in the lease term. The right-of-use asset is initially recognized at an amount equal to the lease liability adjusted for lease prepayments made or lease incentives received, initial direct costs and any estimated costs to dismantle or restore the leased asset.

The right-of-use asset is depreciated over the shorter of the leased asset's useful life or the lease term on a straight-line basis. The right-of-use asset is included in 'Property and equipment' and disclosed separately in note 13. The carrying amount of the lease liability is increased to reflect the unwinding of the discount so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period and is reduced by the lease payments made during the period. Lease payments include fixed payments and variable payments that depend on a non-leveraged index or a rate. Lease liabilities are included within 'Other Liabilities.'

The Group records short-term leases and leases of low-value assets as an expense on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are comprised of hardware and smaller office equipment. The lease expense is included in 'Administrative and other operating expense.'

When acting as a lessor of investment property in an operating lease, the Group follows the accounting policy in paragraph e).

4. Critical accounting judgments and estimates

The application of certain accounting policies necessitates critical accounting estimates that involve discretionary judgments and the use of assumptions which are susceptible to change due to inherent uncertainties. Because of the uncertainties involved, actual results could differ significantly from the assumptions and estimates made by management. Such critical accounting estimates are of significance to insurance reserves and deferred acquisition costs, the determination of fair value for financial assets and liabilities, impairment charges, deferred taxes and employee benefits.

a) Reserves for insurance contracts and deferred acquisition costs

Property & Casualty

The Group is required to establish reserves for payment of losses and loss adjustment expenses that arise from the Group's property & casualty products. These reserves represent the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the balance sheet date. The Group establishes its reserves by product line, type and extent of coverage and year of occurrence. There are two categories of loss reserve: reserves for reported losses and reserves for incurred but not reported (IBNR) losses. Additionally, reserves are held for loss adjustment expenses, which contain the estimated legal and other expenses expected to be incurred to finalize the settlement of the losses.

The Group's reserves for reported losses and loss adjustment expenses are based on estimates of future payments to settle reported claims. The Group bases such estimates on the facts available at the time the reserves are established. These reserves are generally established on an undiscounted basis to recognize the estimated costs of bringing pending claims to final settlement. The reserve calculation takes into account inflation, as well as other factors that can influence the amount of reserves required, some of which are subjective and some of which are dependent on future events. In determining the level of reserves, the Group considers historical trends and patterns of loss payments, pending levels of unpaid claims and types of coverage. In addition, court decisions, economic conditions and public attitudes may affect the ultimate cost of settlement and, as a result, the Group's estimation of reserves. Between the reporting and final settlement of a claim circumstances may change, which may result in changes to established reserves. Items such as changes in law and interpretations of relevant case law, results of litigation, changes in medical costs, as well as costs of vehicle and home repair materials and labor rates can substantially impact ultimate settlement costs. Accordingly, the Group reviews and re-evaluates claims and reserves on a regular basis. Amounts ultimately paid for losses and loss adjustment expenses can vary significantly from the level of reserves originally set.

The Group establishes IBNR reserves, to recognize the estimated cost of losses for events which have already occurred but which have not yet been notified. These reserves are established to recognize the estimated costs required to bring such claims to final settlement. As these losses have not yet been reported, the Group relies upon historical information and statistical models, based on product line, type and extent of coverage, to estimate its IBNR liability. The Group also uses reported claim trends, claim severities, exposure growth, and other factors in estimating its IBNR reserves. These reserves are revised as additional information becomes available and as claims are actually reported.

The time required to learn of and settle claims is an important consideration in establishing the Group's reserves. Short-tail claims, such as those for motor and property damage, are normally reported soon after the incident and are generally settled within months. Long-tail claims, such as bodily injury, pollution, asbestos and product liability, can take years to develop and additional time to settle. For these claims, information concerning the event, such as the required medical treatment for bodily injury claims and the required measures to clean up pollution, may not be readily available. Accordingly, the reserving analysis of long-tail lines of business is generally more difficult and subject to greater uncertainties than for short-tail claims.

Since the Group does not establish reserves for catastrophes in advance of the occurrence of such events, these events may cause volatility in the levels of its incurred losses and reserves subject to the effects of reinsurance recoveries. This volatility may also be contingent upon political and legal developments after the occurrence of the event.

The Group uses a number of accepted actuarial methods to estimate and evaluate the amount of reserves recorded. The nature of the claim being reserved for and the geographic location of the claim influence the techniques used by the Group's actuaries. Additionally, the Group's Corporate Center actuaries perform periodic reserve reviews of the Group's businesses throughout the world. Management considers the results of these reviews and adjusts its reserves for losses and loss adjustment expenses, where necessary.

Life insurance

The reserves for future life policyholder benefits and policyholder contract deposits and other funds contain a number of assumptions regarding mortality or longevity, lapses, surrenders, expenses, discount rates and investment returns. These assumptions can vary by country, year of policy issuance and product type and are determined with reference to past experience adjusted for new trends, current market conditions and future expectations. As such the liabilities for future life policyholder benefits and policyholder contract deposits may not represent the ultimate amounts paid out to policyholders. For example:

- The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty arises because of the potential for pandemics and wide-ranging lifestyle changes, such as changes in eating, smoking and exercise habits, which could result in earlier deaths for age groups in which the Group has significant exposure to mortality risk.
- For contracts that insure the risk of longevity, such as annuity contracts, an appropriate allowance is made for people living longer. Continuing improvements in medical care and social conditions could result in further improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.
- Under certain contracts, the Group has offered product guarantees (or options to take up product guarantees), including fixed minimum interest rate or mortality rate returns. In determining the value of these options and/or benefits, estimates have been made as to the percentage of contract holders that may exercise them. Changes in investment conditions could result in significantly more contract holders exercising their options and/or benefits than has been assumed.
- Estimates are made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.
- Assumptions are determined with reference to current and historical customer data, as well as industry data. Interest rate assumptions reflect expected earnings on the assets supporting the future policyholder benefits. The information used by the Group's qualified actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies and profitability analysis.

Deferred policy acquisition costs and the present value of future profits (PVFP) are recognized on balance sheet only to the extent that they are recoverable from future policy income which also depends on the above assumptions. Recoverability is tested at contract inception and subsequently on a regular basis with reference to current expectations of future profits or margins.

See note 8 for further information on liabilities for insurance contracts and note 11 for deferred policy acquisition costs. Also refer to the insurance risk section of the risk review.

b) Fair value measurement

In determining the fair values of investments in debt and equity instruments traded on exchanges and in over-the-counter (OTC) markets, the Group makes extensive use of independent, reliable and reputable third-party pricing providers and only in rare cases places reliance on valuations that are derived from internal models.

In addition, the Group's policy is to ensure that independently-sourced prices are developed by making maximum use of current observable market inputs derived from orderly transactions and by employing widely-accepted valuation techniques and models. When third-party pricing providers are unable to obtain adequate observable information for a particular financial instrument, the fair value is determined either by requesting selective non-binding broker quotes or by using internal valuation models.

Valuations can be subject to significant judgment, especially when the fair value is determined based on at least one significant unobservable input parameter; such items are classified within level 3 of the fair value hierarchy. See notes 6, 7 and 23 for further information regarding the estimate of fair value.

c) Impairment of assets

Financial assets

A financial asset is considered impaired if there is objective evidence of impairment as a result of one or more occurred loss events that have an impact on the estimated future cash flows of the financial asset.

The evaluation of whether an available-for-sale debt security is impaired requires analysis of the credit standing of a particular issuer and involves management judgment. When assessing impairment of available-for-sale debt securities, the Group places emphasis on issuer specific factors, such as significant financial difficulty, default or delinquency on interest or principal payments. A credit rating downgrade, worsened liquidity or decline in fair value below the weighted-average cost is not by itself considered a loss event, but rather incorporated in the impairment analysis along with other available information.

The Group determines that there is objective evidence of impairment of an available-for-sale equity security, if at the reporting date:

- its fair value is below the weighted-average cost by an amount significantly exceeding the volatility threshold determined quarterly for the respective equity market (such as North America, Asia Pacific, UK, Switzerland and other European countries); or
- its fair value has been below the weighted-average cost for a prolonged period of 24 consecutive months or longer

Goodwill and attorney-in-fact (AIF) contracts

Goodwill is allocated to a cash generating unit (CGU) as outlined in note 3. The Group has defined the CGUs according to regions, separating Property & Casualty (P&C), Life businesses and other (see note 27). The CGUs which carry the majority of goodwill and AIF contracts are presented in table 4.

For goodwill impairment testing, the recoverable amount is the higher of its fair value less costs to sell and its value-in-use.

Fair value is determined, considering quoted market prices, current share values in the market place for similar publicly traded entities, and recent sale transactions of similar businesses.

Value-in-use is determined using the present value of estimated future cash flows expected to be generated from the CGU. Cash flow projections are based on business plan projections, which are approved by management, typically covering a three-year period or, if appropriate and adequately justified, a longer period, which may be necessary to more accurately represent the nature of the cash flows used to test the goodwill. Cash flows beyond this period are extrapolated using, among others, estimated perpetual growth rates, which typically do not exceed the expected inflation of the geographical areas in which the cash flows supporting the goodwill are generated. If cash flows are generated in different geographical areas with different expected inflation rates, weighted averages are used. The discount rates applied reflect the respective risk-free interest rate adjusted for the relevant risk factors to the extent they have not already been considered in the underlying cash flows.

The discount rates used in the recoverable amount calculations for developed markets are based on the weighted average cost of capital and consider government bond rates which are further adjusted for equity risk premium, appropriate beta and leverage ratio. In emerging markets, discount rates are based on the U.S. dollar discount rate taking into account inflation differential expectations and country risks. All input factors to the discount rates are based on observable market data.

The recoverable amounts of AIF contracts and goodwill are determined on the basis of value-in-use calculations further described above. The basis for determining the values assigned to the key assumptions are current market trends and earnings projections.

Table 4 sets out for the major CGUs the applied discount rates and the perpetual nominal growth rates beyond the projection period that depend on expectations about country-specific growth rates and inflation as of the date of valuation, as well as the value of goodwill and AIF contracts as of December 31, 2020.

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Table 4

Discount and perpetual growth rates for goodwill and AIF contracts for major CGUs

	Business	in USD millions	Discount rates in % 2020	Discount rates in % 2019	Perpetual nominal growth rate in % 2020	Perpetual nominal growth rate in % 2019
Farmers	Farmers	1,845	7.9	8.5	2.3	–
North America	P&C	355	7.8	7.8	2.0	2.0
Europe, Middle East & Africa	P&C	367	7.5	6.6	1.8	2.0
Asia Pacific	P&C	914	8.4	7.6	2.2	2.2
Asia Pacific	Life	1,271	8.4	7.6	2.1	2.0
Latin America	P&C	241	18.1	13.6	5.9	3.8
Latin America	Life	89	14.2	11.9	4.3	3.6

The recoverable amount of goodwill remains contingent on future cash flows and other assumptions, particularly discount rates and the perpetual growth rate. If the estimated future cash flows and other assumptions deviate significantly from the Group's current outlook, there is a risk that the goodwill is impaired.

Quantitative sensitivity tests have been performed for all CGUs, by applying a reasonably possible change to each of the key assumptions to capture potential future variations in market conditions: a decrease in cash flows of up to 20%, an increase in the discount rate of 1.0 percentage point and a decrease in the perpetual growth rate of 1.0 percentage point. Under each individual scenario, reasonably possible changes in key assumptions did not impair goodwill and AIF contracts.

The valuation of the goodwill of the Latin America P&C CGU and Asia Pacific P&C CGU remains more sensitive to key assumptions than others, such as a further or prolonged decline in economic activity resulting from global efforts to contain COVID-19, broader macroeconomic conditions and business projections. A decrease in cash flows by 22% and 30% for both the Latin America P&C CGU and Asia Pacific P&C CGU respectively compared to the current outlook would result in the recoverable amount being equal to the carrying amount.

Distribution agreements

Qualitative analyses have been performed on distribution agreements, typically comprised of an analysis of the current financial performance, any change in the conditions in the agreement and environment that would indicate an impairment. No impairment was identified.

See notes 3, 6, 13, 14 and 15 for further information on impairment of assets.

d) Deferred taxes

Deferred tax assets are recognized if sufficient future taxable income, including income from the reversal of existing taxable temporary differences and available tax planning strategies, is available for realization. The utilization of deferred tax assets arising from temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax bases depends on the generation of sufficient taxable profits in the period in which the underlying asset or liability is recovered or settled. If applicable tax law acknowledges different types of expenses to be tax deductible, deferred tax assets are only recognized if they give rise to deductions against the same type of taxable income. The utilization of deferred tax assets arising from unused tax losses or tax credits depends on the generation of sufficient taxable profits before the unused tax losses or tax credits expire. As of each balance sheet date, management evaluates the recoverability of deferred tax assets and, if it is considered probable that all or a portion of the deferred tax asset will not be utilized, then a valuation allowance is recognized.

See note 17 for further information on deferred taxes.

e) Employee benefits

The Group provides defined benefit plans and other post-employment plans. In assessing the Group's liability for these plans, critical judgments include estimates of mortality rates, rates of employment turnover, disability, early retirement, discount rates, future salary and pension increases and increases in long-term health care costs. Discount rates for significant plans are based on a yield curve approach. The Group sets the discount rate by creating a hypothetical portfolio of high-quality corporate bonds for which the timing and amount of cash flows approximate the estimated payouts of the defined benefit plan. These assumptions may differ from actual results due to changing economic conditions, higher or lower withdrawal rates, or longer or shorter life spans of participants. These differences may result in variability of pension income or expense recorded in future years.

See note 20 for further information on employee benefits.

5. Acquisitions and divestments

Transactions in 2020

Acquisitions

Healthinsite

On December 15, 2020, Zurich Insurance Company Ltd completed the acquisition of Healthinsite Proprietary Limited and Insite Holding Pty Limited (collectively referred to as Healthinsite). Healthinsite provides innovative health and behavioral risk management solutions internationally to corporate clients and is the owner of proprietary software.

MetLife Property and Casualty business

On December 11, 2020, Zurich subsidiary Farmers Group, Inc. and the Farmers Exchanges entered into an agreement to acquire MetLife's U.S. property and casualty business for USD 3.9 billion (Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Zurich Insurance Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services). The transaction is subject to regulatory approval and is expected to complete in Q2 2021. The transaction will give the Farmers Exchanges a nationwide presence and access to new distribution channels that provide a strong platform for accelerated growth, while further increasing Zurich's stable, fee-based earnings streams.

Swiss Commercial Accident and Health business

On May 29, 2020, after receiving regulatory approval, Zurich Insurance Company Ltd acquired the Commercial Accident and Health business from CSS Versicherung AG.

Divestments

Held for sale

As of December 31, 2020, the total assets reclassified to held for sale were USD 2.5 billion and the total liabilities reclassified to held for sale were USD 2.5 billion, as per transactions below.

Zurich International Life portfolio

On December 22, 2020, Zurich International Life Limited entered into an agreement to sell an insurance portfolio. The transaction is subject to regulatory and court approvals and is expected to be completed in Q4 2021. As of December 31, 2020, assets reclassified to held for sale were USD 775 million and liabilities reclassified to held for sale were USD 746 million.

UK Employers' liability portfolio

On December 14, 2018, Zurich Insurance plc entered into an agreement with Catalina Holdings (Bermuda) Ltd and certain of its subsidiaries to transfer a portfolio of pre-2007 United Kingdom legacy employers' liability policies to Catalina London Limited, subject to regulatory and court approvals. The transfer is expected to be completed in 2024. As of December 31, 2020, assets reclassified to held for sale were USD 1.7 billion and liabilities reclassified to held for sale were USD 1.7 billion.

Divested

UK International Portfolio Bond

On November 30, 2020, Zurich Life Assurance plc completed the sale of its UK international Bond Portfolio to Monument Re, with a pre-tax loss of USD 14 million, recognized in the income statement.

US Corporate Life & Pensions (CLP)

On March 19, 2020, Zurich Holding Company of America, Inc., Zurich American Life Insurance Company and Zurich American Life Insurance Company of New York signed an agreement to sell the Corporate Life and Pensions (CLP) business to Aflac Incorporated (Aflac) and its insurance subsidiaries, American Family Life Assurance Company of Columbus and American Family Life Assurance Company of New York. On November 2, 2020, the Group completed the sale with a pre-tax gain of USD 115 million, recognized in the income statement.

UK Retail Wealth Business

On November 19, 2019, Zurich Financial Services (UKISA) Limited and Allied Zurich Holdings Limited (AZH) entered into an agreement with Embark Group Limited (Embark) to sell the UK Retail Wealth business, which includes an Investment and Retail Wealth Platform business, Sterling ISA Managers Limited (SIML), and an Investment Management business, Zurich Investment Services (UK) Limited (ZISUK). On May 1, 2020, the Group completed the sale with a pre-tax loss of USD 141 million, of which USD 123 million was recognized in December 2019, in the income statement, including an impairment of assets of USD 210 million.

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Germany Architects & Engineers portfolio
On September 5, 2019, Zurich Insurance plc entered into an agreement to transfer the German Architects & Engineers portfolio to Darag Deutsche Versicherungs- und Rückversicherungs-AG. On June 30, 2020, the Group completed the sale of the portfolio with a pre-tax gain of USD 22 million, recorded in the income statement.

Transactions in 2019

Acquisitions
Adira Insurance
On November 27, 2019, Zurich Insurance Group completed the acquisition of 80 percent of PT Asuransi Adira Dinamika (Adira Insurance), a General Insurance provider, from PT Bank Danamon Indonesia (Bank Danamon) and a minority investor for USD 469 million, including potential future incremental payments based on business performance. The agreement includes a 20-year distribution agreement. Based on the purchase price, the value of goodwill is USD 212 million.

OnePath
On December 11, 2017, the Group announced that it had entered into an agreement to acquire 100 percent of the Australian life and consumer credit insurance business (OnePath Life and OnePath General Insurance, hereafter OnePath) of Australia and New Zealand Banking Group Limited (ANZ). In order to gain early exposure to a portion of OnePath's earnings, the Group entered into a quota share agreement to reinsure the existing death, disability and critical illness business of OnePath as of May 1, 2018 for an upfront commission payment of USD 754 million. On May 31, 2019, the Group completed its acquisition of OnePath for USD 1.4 billion. As part of the transaction, the Group entered into a 20-year strategic alliance agreement with ANZ in Australia to distribute life insurance products through its bank channels.

Table 5.1 shows the balance sheet line items as of the OnePath acquisition date, representing the fair value of tangible and intangible assets and goodwill, which has increased by USD 57 million in 2020 as a result of post-acquisition adjustments.

Table 5.1

OnePath balance sheet as of the acquisition date

in USD millions, as of May 31, 2019	**Total**[1]
Cash and cash equivalents	253
Total Group investments	2,233
Total unit-linked investments	770
Total investments	3,003
Reinsurers' share of reserves for insurance contracts	125
Receivables and other assets	223
Deferred tax assets	353
Property and equipment	1
Goodwill	992
Other intangible assets	47
Assets acquired	**4,996**
Liabilities for insurance contracts	2,205
Liabilities for investment contracts	1,206
Accrued liabilities	18
Other liabilities	162
Deferred tax liabilities	13
Liabilities acquired	**3,604**
Net assets acquired	1,392
Non-controlling interests	
Total acquisition costs	**1,392**

1 As of December 31, 2020, the assets and liabilities of OnePath are recognized at acquisition date, May 31, 2019.

OnePath's pro-forma gross written premiums and net income after taxes for the 12 months ended December 31, 2019, were approximately USD 1.1 billion and USD 42 million, respectively. In addition, the Group generated net income after taxes of USD 14 million for the respective period on its existing reinsurance agreement with OnePath. The Group incurred transaction-related costs of approximately USD 26 million in non-technical expenses in BOP, the majority of which were incurred in 2019.

Divestments

UK workplace pensions and savings business

On October 12, 2017, the Group announced a strategic deal under which Lloyds Banking (LBG) would acquire the UK workplace pension and savings business. On April 3, 2018, Sterling ISA Managers Limited completed the sale of its Corporate Savings Platform together with the associated infrastructure, assets and business to LBG subsidiary, Scottish Widows Administration Services Limited. On July 1, 2019, the related insurance business was transferred by Zurich Assurance Ltd to Scottish Widows Limited by a UK court process under Part VII of the Financial Services and Markets Act 2000. The Group has recorded a pre-tax gain of USD 17 million in the income statement upon completion of the sale, including a pre-tax loss of USD 7 million recognized in 2020.

Venezuelan Operations

On May 24, 2019, the Group completed the sale of its 69 percent participation in Zurich Seguros, S.A. The Group has recorded a pre-tax loss of USD 260 million, of which USD 258 million results from negative currency translation adjustments, in the income statement upon completion of the sale.

ADAC Autoversicherung AG and Bonnfinanz AG

On January 1, 2019, the Group completed the sale of its 51 percent participation in ADAC Autoversicherung AG and on April 2, 2019, the Group completed the sale of Bonnfinanz AG, with pre-tax gains of USD 19 million and USD 41 million, respectively, recorded within net gains/(losses) on divestment of businesses.

Consolidated financial statements (continued)

6. Group investments

Group investments are those for which the Group bears part or all of the investment risk. They also include investments related to investment contracts with discretionary participation features. Net investment result on Group investments includes returns on investment-related cash, which is included in cash and cash equivalents on the consolidated balance sheets.

Table 6.1

Net investment result on Group investments

in USD millions, for the years ended December 31	Net investment income		Net capital gains/(losses) and impairments		Net investment result		of which impairments	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Investment cash	12	20	–	–	12	20	–	–
Equity securities[1]	384	470	883	1,150	1,267	1,620	(357)	(80)
Debt securities	3,798	4,051	905	685	4,702	4,736	58	(129)
Investment property[2]	502	473	514	581	1,016	1,054	–	–
Mortgage loans	141	161	6	7	147	168	(1)	–
Other loans	329	365	3	27	332	393	(1)	(7)
Investments in associates and joint ventures	3	3	15	(1)	18	1	–	–
Derivative financial instruments	–	–	(280)	(356)	(280)	(356)	–	–
Investment result, gross, on Group investments	5,168	5,542	2,047	2,093	7,215	7,635	(302)	(216)
Investment expenses on Group investments	(265)	(244)	–	–	(265)	(244)	–	–
Investment result, net, on Group investments	**4,903**	**5,298**	**2,047**	**2,093**	**6,950**	**7,391**	**(302)**	**(216)**

1 For the year ended December 31, 2020 the Group has recognized USD 357 million impairments on Equity securities, mainly in EMEA and North America, due to the volatility of the stock markets in response to the COVID-19 pandemic.
2 Rental operating expenses for investment property amounted to USD 144 million and USD 141 million for the years ended December 31, 2020 and 2019, respectively.

Table 6.2

Details of Group investments by category

as of December 31	**2020**		2019	
	USD millions	**% of total**	USD millions	% of total
Equity securities:				
Fair value through profit or loss	4,714	2.2	4,391	2.3
Available-for-sale	14,779	7.0	13,905	7.2
Total equity securities	19,493	9.3	18,296	9.5
Debt securities:				
Fair value through profit or loss	7,115	3.4	6,713	3.5
Available-for-sale	152,330	72.4	138,676	71.7
Held-to-maturity	2,265	1.1	2,117	1.1
Total debt securities	161,710	76.9	147,507	76.3
Investment property	14,749	7.0	13,261	6.9
Mortgage loans	5,783	2.7	5,935	3.1
Other loans	8,620	4.1	8,274	4.3
Investments in associates and joint ventures	43	0.0	39	0.0
Total Group investments	**210,398**	**100.0**	**193,312**	**100.0**

Investments with a carrying value of USD 6.6 billion and USD 6.2 billion are held to meet local regulatory requirements in each of the years ended December 31, 2020 and 2019, respectively.

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Details of debt securities by category

Table 6.3

in USD millions, as of December 31	Fair value through profit or loss		Available-for-sale		Held-to-maturity		Total	Total
	2020	2019	2020	2019	2020	2019	2020	2019
Debt securities:								
Government and supra-national bonds	3,854	3,542	75,598	66,196	2,077	1,942	81,529	71,681
Corporate securities	2,817	2,682	60,575	54,846	188	175	63,579	57,703
Mortgage and asset-backed securities	444	489	16,157	17,634	–	–	16,602	18,123
Total debt securities	**7,115**	**6,713**	**152,330**	**138,676**	**2,265**	**2,117**	**161,710**	**147,507**

Debt securities maturity schedule

Table 6.4

in USD millions, as of December 31	Fair value through profit or loss		Available-for-sale		Held-to-maturity		Total	Total
	2020	2019	2020	2019	2020	2019	2020	2019
Debt securities:								
< 1 year	573	743	6,933	7,412	86	20	7,592	8,175
1 to 5 years	1,984	1,513	38,615	35,878	802	816	41,401	38,206
5 to 10 years	1,429	1,295	33,965	32,681	796	729	36,189	34,706
> 10 years	2,686	2,674	56,660	45,071	581	552	59,927	48,296
Subtotal	6,671	6,225	136,173	121,042	2,265	2,117	145,108	129,384
Mortgage and asset-backed securities:								
< 1 year	–	–	36	19	–	–	36	19
1 to 5 years	91	115	1,443	2,017	–	–	1,534	2,133
5 to 10 years	98	67	2,224	1,801	–	–	2,322	1,867
> 10 years	255	307	12,454	13,797	–	–	12,709	14,104
Subtotal	444	489	16,157	17,634	–	–	16,602	18,123
Total	**7,115**	**6,713**	**152,330**	**138,676**	**2,265**	**2,117**	**161,710**	**147,507**

The analysis in table 6.4 is provided by contractual maturity. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Investment property

Table 6.5

in USD millions	Total	
	2020	2019
As of January 1	13,261	12,351
Additions and improvements	1,009	1,284
Disposals	(1,112)	(777)
Market value revaluation	586	428
Transfer from/to assets held for own use	25	25
Transfer to assets held for sale	(88)	(36)
Foreign currency translation effects[1]	1,069	(15)
As of December 31	**14,749**	**13,261**

1 Increase is mainly driven by foreign exchange-related impacts on real estate in Germany and Switzerland as the USD weakened against Euro and Swiss franc.

Investment property consists of investments in commercial, residential and mixed-use properties primarily located in Germany, U.S. and Switzerland.

Consolidated financial statements (continued)

Net unrealized gains/(losses) on Group investments included in equity

Table 6.6

in USD millions, as of December 31	Total 2020	Total 2019
Equity securities: available-for-sale	1,679	1,570
Debt securities: available-for-sale	18,911	12,997
Other	585	536
Gross unrealized gains/(losses) on Group investments	21,176	15,103
Less amount of unrealized gains/(losses) on investments attributable to:		
Life policyholder dividends and other policyholder liabilities	(12,119)	(8,574)
Life deferred acquisition costs and present value of future profits	(1,242)	(914)
Deferred income taxes	(1,481)	(1,085)
Non-controlling interests	(107)	(91)
Total[1]	**6,227**	**4,439**

1 Net unrealized gains/(losses) on Group investments include net gains arising on cash flow hedges of USD 526 million and USD 454 million as of December 31, 2020 and 2019, respectively.

Securities lending, repurchase and reverse repurchase agreements

Table 6.7

in USD millions, as of December 31	2020	2019
Securities lending agreements		
Securities lent under securities lending agreements[1]	329	156
Collateral received for securities lending	360	190
of which: Cash collateral	111	56
of which: Non-cash collateral[2]	248	134
Liabilities for cash collateral received for securities lending	111	56
Repurchase agreements		
Securities sold under repurchase agreements[3]	787	978
Obligations to repurchase securities	784	977
Reverse repurchase agreements		
Securities purchased under reverse repurchase agreements[4]	–	57
Receivables under reverse repurchase agreements	–	56

1 The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 329 million and USD 150 million as of December 31, 2020 and 2019, respectively. The majority of these assets were debt securities.
2 The Group had the right to sell or repledge, in the absence of default by its counterparties, securities received as collateral with a fair value of USD 248 million and USD 126 million as of December 31, 2020 and 2019, respectively.
3 The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 341 million and USD 350 million as of December 31, 2020 and 2019, respectively. The majority of these assets were debt securities.
4 The Group had the right to sell or repledge, in the absence of default by its counterparties, securities received as collateral with a fair value of nil as of December 31, 2020 and 2019, respectively.

Under the terms of securities lending or repurchase agreements, the Group retains substantially all the risks and rewards of ownership of the transferred securities, and also retains contractual rights to the cash flows from these securities. These securities are therefore not derecognized from the Group's consolidated balance sheet. Cash received as collateral is recorded as an asset, and a corresponding liability is established. Interest expense is charged to income using the effective interest rate method over the life of the agreement.

Under a reverse repurchase agreement, the securities received are not recognized on the Group's consolidated balance sheet, as long as the risk and rewards of ownership have not been transferred to the Group. The cash delivered by the Group is derecognized and a corresponding receivable is recorded within receivables and other assets. Interest income is recognized in income using the effective interest rate method over the life of the agreement.

7. Group derivative financial instruments and hedge accounting

The Group uses derivative financial instruments mainly for economic hedging purposes to mitigate risks. Such risks result from changes in interest rates, equity prices and exchange rates. Derivative financial instruments with a positive fair value are reported in receivables and other assets (see note 15) and those with a negative fair value are reported in other liabilities (see note 16).

Table 7.1 shows the fair value and notional amounts for all group derivatives as of December 31, 2020 and 2019[1] separated by risks. While these notional amounts express the extent of the Group's involvement in derivative transactions, they do not, however, represent the amounts at risk.

Maturity profile of notional amounts and fair values of Group derivative financial instruments

Table 7.1[1]

in USD millions, as of December 31	2020						2019		
	Maturity by notional amount								
	< 1 year	1 to 5 years	> 5 years	Notional amounts	Positive fair values	Negative fair values	Notional amounts	Positive fair values	Negative fair values
Interest rate contracts[2]	2,671	9,598	8,620	20,890	1,401	(250)	12,682	929	(187)
Equity contracts	10,549	798	442	11,790	87	(68)	11,341	83	(51)
Foreign exchange contracts	20,187	309	203	20,699	275	(162)	19,443	215	(126)
Total Group derivative financial instruments	**33,408**	**10,706**	**9,265**	**53,379**	**1,763**	**(481)**	**43,466**	**1,226**	**(365)**
Thereof exchange-traded	1,187	–	–	1,187	6	(6)	683	2	(4)
Thereof OTC	32,221	10,706	9,265	52,192	1,757	(475)	42,783	1,224	(361)

1 In 2020, the Group changed the presentation of table 7.1 to simplify the disclosures of derivatives and hedge accounting and enhance the quality of the consolidated financial statements. The scope of the table has been extended to all derivatives held by the Group. In the consolidated financial statements of 2019, table 7.1 showed only instruments which did not qualify for hedge accounting.
2 Includes USD 679 million and USD 623 million notional related to derivatives centrally cleared as of December 31, 2020 and 2019, respectively.

Interest rate contracts
Interest rate contracts are used to hedge risks from changes in interest rates and to manage asset liability mismatches. Whenever possible the Group enters into exchange-traded contracts, which are standardized and regulated. Furthermore, because of the structure of the exchanges, exchange-traded contracts are not considered to carry counterparty risk. Over-the-counter (OTC) contracts are otherwise entered into and comprised of swaps and swaptions.

Equity contracts
Equity contracts are entered into, either on a portfolio or on a macro level, to protect the fair value of equity investments against a decline in equity market prices or to manage the risk return profile of equity exposures. Short positions are always covered and sometimes used to mitigate hedging costs.

Foreign exchange contracts
Swaps and forward contracts are used to hedge the Group's foreign currency exposures and to manage balance sheet mismatches.

Credit contracts
Credit contracts are credit default swaps entered into either on a portfolio or on a macro level to limit market risks arising from the investment portfolios against a change in credit spreads or to manage the risk return profile of the credit exposures.

Other contracts
Other contracts predominantly include stable value products (SVPs) issued to insurance company separate accounts in connection with certain life insurance policies (Bank Owned Life Insurance (BOLI) and Company Owned Life Insurance (COLI)) with an account value of USD 11.1 billion as of December 31, 2020 and USD 11.1 billion as of December 31, 2019, and with a market value of the underlying investments of USD 11.5 billion and USD 11.1 billion as of December 31, 2020 and 2019, respectively (not included in the table above). The Group includes the likelihood of surrender as one of the input parameters to determine the fair value of the SVPs which was nil as of December 31, 2020 and 2019.

In certain circumstances, derivative financial instruments meet the requirements of an effective hedge for accounting purposes. Where this is the case, hedge accounting may be applied. Financial information for these instruments is set out in table 7.2.

Consolidated financial statements (continued)

Notional and fair values of Group hedge accounting derivative financial instruments

Table 7.2[1]

in USD millions, as of December 31	2020			2019		
	Notional principal amounts	**Positive fair values**	**Negative fair values**	Notional principal amounts	Positive fair values	Negative fair values
Fair value hedge:						
Interest rate contracts	539	25	(5)	529	15	(8)
Foreign currency contracts	420	–	(53)	375	3	(54)
Total fair value hedges	**959**	**26**	**(58)**	**904**	**19**	**(61)**
Cash flow hedge:						
Interest rate contracts[2]	4,588	993	(78)	3,564	650	(59)
Foreign currency contracts	451	30	(11)	370	18	(5)
Total cash flow hedges	**5,040**	**1,023**	**(89)**	**3,934**	**669**	**(64)**
Net investment hedge:						
Foreign currency contracts	1,500	51	–	1,606	34	–
Total net investment hedges	**1,500**	**51**	**–**	**1,606**	**34**	**–**

1 In 2020, the Group changed the presentation of table 7.2 to simplify the disclosures of derivatives and hedge accounting and enhance quality of the financial statements. The maturity analysis is disclosed in table 7.1 above and removed from table 7.2.
2 Includes USD 679 million and USD 623 million notional related to derivatives centrally cleared as of December 31, 2020 and 2019, respectively.

Fair value hedges

Designated fair value hedges consist of interest rate swaps used to protect the Group against changes in interest rate exposure and foreign currency exposure of debt issued by the Group.

Information on debt issuances designated as hedged items in fair value hedge relationships is set out in note 18.

The Group also has fair value hedge relationships consisting of cross currency swaps and forwards to protect the Group from foreign currency fluctuation of certain fixed income securities and hybrid equity securities denominated in a currency other than the functional currency of the reporting entity.

Forward Bonds are used to hedge bond's fair values against rates movements.

Changes in the fair value of the derivative financial instruments designated as fair value hedges and changes in the fair value of the hedged item in relation to the risk being hedged are both recognized in income.

Consolidated financial statements (continued)

Table 7.3 sets out gains and losses arising from fair value hedges:

Table 7.3

Gains/(losses) arising from fair value hedges

in USD millions, for the years ended December 31	2020	2019
Gains/(losses)		
on hedging instruments[1]	14	23
on hedged items attributable to the hedged risk	(15)	(24)

1 Excluding current interest income, which is recognized as an offset on the same line as the interest expense of the hedged debt.

Cash flow hedges

Designated cash flow hedges, such as interest rate swaptions and forwards are used to protect the Group against variability of future cash flows due to changes in interest rates associated with expected future purchases of debt securities required for certain life insurance policies. The effective portion of the gains and losses on these swaptions are initially recognized in OCI. Subsequently the gains or losses will be recycled to profit or loss within net investment income on Group investments over the period to December 31, 2036. The gains and losses related to the ineffective portion of these hedges are recognized immediately in income within net capital gains/(losses) on investments and impairments.

The Group also uses interest rate swaps and cross currency swaps for cash flow hedging to protect against the exposure to variability of cash flows attributable to interest rate and currency risk. The hedging instrument is measured at fair value, with the effective portion of changes in its fair value recognized in OCI. The effective portion, related to spot rate changes in the fair value of the hedging instrument, is reclassified to profit or loss within administrative and other operating expense as an offset to foreign currency revaluation on the underlying hedged debt. The ineffective portion of the change in fair value is recognized directly in income within administrative and other operating expense.

As of December 31, 2020, there were no debt issuances designated as hedged items in a cash flow hedge relationship (see note 18).

The net change of gains/(losses) deferred in OCI on derivative financial instruments designated as cash flow hedges were USD 276 million and USD 196 million before tax for the years ended December 31, 2020 and 2019, respectively.

The Group recognized gains of USD 35 million and USD 33 million in the consolidated income statements within net investment income on Group investments for the years ended December 31, 2020 and 2019, respectively. The Group also recognized net gains/(losses) of USD 2 million and USD 4 million within administrative and other operating expense for the years ended December 31, 2020 and 2019, respectively, as an offset to the foreign currency revaluation on the underlying hedged items.

A nil amount for the years ended December 31, 2020 and 2019, respectively, was recognized in net capital gains/(losses) and impairments due to hedge ineffectiveness.

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Net investment hedges

The Group applies net investment hedge accounting to protect against the effects of changes in exchange rates in its net investments in foreign operations.

Measurement of hedge effectiveness is based on changes in forward rates. Gains and losses on the designated hedging derivative and non-derivative financial instruments related to the effective portion of the hedge are recognized in OCI together with the translation gains and losses on the hedged net investment. The accumulated gains and losses in OCI are reclassified to income on disposal or partial disposal of the foreign operation.

The net change of gains/(losses) deferred in OCI were USD 120 million and USD (40) million before tax for the years ended December 31, 2020 and 2019, respectively as a result of a hedge relationship by foreign exchange forwards and swaps.

The Group has also designated certain debt issuances as hedging instruments on a non-derivative net investment hedge relationship. The notional amount of these financial instruments was USD 9.7 billion and USD 8.1 billion for the years ended December 31, 2020 and 2019, respectively. The net gains/(losses) deferred in OCI were USD 324 million and USD 242 million before tax for the years ended December 31, 2020 and 2019, respectively.

Information on debt issuances designated as hedging instruments in a net investment hedge relationship is set out in note 18.

No ineffectiveness of net investment hedges was recognized in net capital gains/(losses) and impairments for the years ended December 31, 2020 and 2019.

Derivative financial instruments: offsetting of financial assets and liabilities

Table 7.4 shows the net asset and liability position of Group derivative financial instruments subject to enforceable master netting arrangements and collateral agreements. Master netting arrangements are used by the Group to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations. These arrangements commonly create a right of offset that becomes enforceable and affects the realization or settlement of individual financial assets and financial liabilities only following a specified event of default or other circumstances which would not be expected to arise in the normal course of business.

Table 7.4

Group derivative financial instruments subject to enforceable master netting arrangements and collateral agreements

in USD millions, as of December 31	Derivative assets		Derivative liabilities	
	2020	2019	**2020**	2019
Fair value	1,763	1,226	(481)	(365)
Related amounts not offset	(192)	(99)	196	100
Cash collateral (received)/pledged	(1,520)	(1,089)	114	116
Non-cash collateral (received)/pledged	(26)	(29)	61	54
Net amount	**25**	**9**	**(110)**	**(94)**

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8. Liabilities for insurance contracts and reinsurers' share of liabilities for insurance contracts

Liabilities for insurance contracts

Table 8.1

in USD millions, as of December 31	Gross		Ceded		Net	
	2020	2019	**2020**	2019	**2020**	2019
Reserves for losses and loss adjustment expenses	63,327	59,165	(14,375)	(12,137)	48,951	47,028
Reserves for unearned premiums	18,724	17,551	(3,716)	(3,412)	15,009	14,139
Future life policyholder benefits	83,958	77,756	(4,256)	(3,978)	79,703	73,778
Policyholder contract deposits and other funds	31,497	27,480	(3,236)	(3,285)	28,261	24,195
Reserves for unit-linked insurance contracts	81,157	77,684	–	–	81,157	77,684
Other insurance liabilities	4,834	4,505	(1)	(1)	4,832	4,503
Total liabilities for insurance contracts[1,2]	**283,497**	**264,140**	**(25,584)**	**(22,813)**	**257,913**	**241,327**

1 2019 includes USD 2.2 billion Gross liabilities for insurance contracts from the OnePath acquisition (see note 5).
2 Total liabilities for insurance contracts ceded are gross of allowances for uncollectible amounts of USD 61 million as of December 31, 2020 and 2019.

Discounted reserves for losses and loss adjustment expenses

Table 8.2

in USD millions, as of December 31	Gross		Ceded		Net	
	2020	2019	**2020**	2019	**2020**	2019
Reserves for losses and loss adjustment expenses	63,327	59,165	(14,375)	(12,137)	48,951	47,028
of which: Discounted reserves	3,387	3,078	(45)	(40)	3,342	3,038
Discount effect	1,166	1,219	(23)	(24)	1,143	1,195
Undiscounted reserves for losses and loss adjustment expenses	64,492	60,384	(14,398)	(12,161)	50,094	48,223
of which: Undiscounted amount of discounted reserves	4,552	4,297	(68)	(64)	4,484	4,233
Average discount rate	3.2%	3.9%	1.9%	2.0%	3.2%	4.0%

Development of reserves for losses and loss adjustment expenses

Table 8.3

in USD millions	Gross		Ceded		Net	
	2020	2019	**2020**	2019	**2020**	2019
As of January 1	59,165	60,913	(12,137)	(11,535)	47,028	49,378
Losses and loss adjustment expenses incurred:						
Current year	23,832	22,400	(5,842)	(5,151)	17,989	17,249
Prior years[1]	767	(769)	(1,175)	186	(408)	(583)
Total incurred	24,598	21,631	(7,017)	(4,965)	17,581	16,666
Losses and loss adjustment expenses paid:						
Current year	(8,573)	(8,782)	1,165	1,095	(7,407)	(7,687)
Prior years	(14,119)	(14,551)	4,198	3,720	(9,921)	(10,831)
Total paid	(22,691)	(23,333)	5,363	4,815	(17,328)	(18,518)
Interest effects of discounted reserves	163	145	(3)	(3)	159	142
Acquisitions/(divestments) and transfers[2]	426	17	(356)	(519)	70	(502)
Foreign currency translation effects	1,666	(209)	(225)	70	1,441	(139)
As of December 31	**63,327**	**59,165**	**(14,375)**	**(12,137)**	**48,951**	**47,028**

1 Changes to incurred gross prior year losses and loss adjustment expenses relate largely to business with limited net impact to the Group such as liabilities related to captive business, development in losses related to 2017 catastrophe events that are substantially reinsured, and participation in large claims related to business where the Group retains only a portion of the overall loss.
2 In 2020, net reserves increased by USD 288 million following the acquisition of the CSS Versicherung AG Commercial Accident and Health business and USD 23 million following the acquisition of Adira Insurance (see note 5). Additionally, Zurich North America entered into an agreement with Lyft, a ride-sharing provider, which resulted in an increase in ceded reserves of USD 144 million. The increase in reserves is partially offset by the transfer of a portfolio in Brazil of USD 103 million to DPVAT, a motor insurance pool. In 2019, the Group reclassified USD 177 million to liabilities held for sale in Germany (see note 5). In addition, a retroactive reinsurance agreement of a Non-Core Business portfolio resulted in a decrease of net reserves by USD 402 million.

The Group establishes loss reserves, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates or judgments are reflected in the results of operations in the period in which estimates and judgments are changed.

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Significant delays may occur in the notification and settlement of claims, and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The reserves for losses and loss adjustment expenses are determined on the basis of the information available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

For the year ended December 31, 2020, the increase of USD 1.9 billion in net reserves for losses and loss adjustment expenses is mainly driven by foreign exchange-related increases as the U.S. dollar weakened against the euro and British pound, and from reserves related to catastrophe losses including Hurricane Laura and Civil Unrest in North America, and COVID-19 related losses mainly in North America, Europe and Asia Pacific.

Net favorable reserve development emerged from reserves established in prior years amounting to USD 408 million mainly related to the following:

- In EMEA, favorable prior year development of USD 286 million driven by motor and liability in retail segment;
- In North America, favorable prior year development of USD 140 million driven by worker injury in retail and commercial segments.

For the year ended December 31, 2019, the decrease of USD 2.3 billion in net reserves for losses and loss adjustment expenses is mainly driven by a decrease in North America Commercial due to higher reinsurance cessions in Property, as well as the disposal of U.S. asbestos and environmental liability insurance portfolios.

Net favorable reserve development emerged from reserves established in prior years amounting to USD 583 million mainly related to the following:

- In EMEA, favorable prior year development of USD 423 million driven by motor and liability in retail segment;
- In North America, favorable prior year development of USD 174 million driven by worker injury in retail and commercial segments.

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Development of insurance losses, net

Table 8.4

in USD millions, as of December 31	2011	2012	2013	2014	2015	2016	2017	2018	2019	**2020**
Gross reserves for losses and loss adjustment expenses (undiscounted)	67,762	69,986	68,312	64,472	62,971	62,254	66,715	62,187	60,384	64,492
Reinsurance recoverable (undiscounted)	(12,421)	(12,601)	(10,993)	(9,770)	(9,231)	(9,796)	(11,092)	(11,561)	(12,161)	(14,398)
Initial net reserves for losses and loss adjustment expenses	55,341	57,385	57,319	54,703	53,739	52,458	55,623	50,627	48,223	50,094
Cumulative paid as of:										
One year later	*(13,525)*	*(13,799)*	*(13,301)*	*(12,576)*	*(11,690)*	*(10,994)*	*(11,586)*	*(10,831)*	*(9,921)*	
Two years later	*(21,245)*	*(21,465)*	*(21,002)*	*(19,460)*	*(18,562)*	*(17,808)*	*(18,277)*	*(16,727)*		
Three years later	*(26,871)*	*(27,064)*	*(26,021)*	*(24,475)*	*(23,590)*	*(22,540)*	*(22,606)*			
Four years later	*(31,129)*	*(30,691)*	*(29,851)*	*(28,105)*	*(27,106)*	*(25,764)*				
Five years later	*(33,836)*	*(33,515)*	*(32,509)*	*(30,667)*	*(29,569)*					
Six years later	*(35,935)*	*(35,579)*	*(34,426)*	*(32,375)*						
Seven years later	*(37,625)*	*(37,108)*	*(35,728)*							
Eight years later	*(38,838)*	*(38,136)*								
Nine years later	*(39,721)*									
Cumulative incurred:										
One year later	*(571)*	*(757)*	*(59)*	*149*	*(479)*	*(326)*	*(674)*	*(583)*	*(408)*	
Two years later	*(891)*	*(652)*	*(139)*	*(25)*	*(1,106)*	*(1,043)*	*(1,516)*	*(1,429)*		
Three years later	*(677)*	*(777)*	*(72)*	*(438)*	*(1,666)*	*(1,996)*	*(2,372)*			
Four years later	*(804)*	*(709)*	*(214)*	*(823)*	*(2,402)*	*(2,920)*				
Five years later	*(826)*	*(912)*	*(576)*	*(1,382)*	*(3,257)*					
Six years later	*(1,018)*	*(1,136)*	*(1,041)*	*(2,046)*						
Seven years later	*(1,112)*	*(1,552)*	*(1,539)*							
Eight years later	*(1,576)*	*(1,994)*								
Nine years later	*(1,937)*									
Net undiscounted reserves re-estimated[1]:										
One year later	*54,770*	*56,628*	*57,259*	*54,852*	*53,260*	*52,131*	*54,949*	*50,044*	*47,815*	
Two years later	*54,450*	*56,734*	*57,180*	*54,677*	*52,633*	*51,415*	*54,108*	*49,197*		
Three years later	*54,664*	*56,609*	*57,246*	*54,265*	*52,073*	*50,462*	*53,251*			
Four years later	*54,537*	*56,676*	*57,105*	*53,880*	*51,337*	*49,538*				
Five years later	*54,515*	*56,474*	*56,743*	*53,321*	*50,482*					
Six years later	*54,323*	*56,250*	*56,278*	*52,657*						
Seven years later	*54,229*	*55,834*	*55,780*							
Eight years later	*53,765*	*55,391*								
Nine years later	*53,404*									
Cumulative (deficiency)/ redundancy of net reserves	1,937	1,994	1,539	2,046	3,257	2,920	2,372	1,429	408	
Cumulative (deficiency)/ redundancy as a percentage of initial net reserves	3.5%	3.5%	2.7%	3.7%	6.1%	5.6%	4.3%	2.8%	0.8%	
Gross reserves re-estimated	64,693	66,306	65,583	61,758	59,163	58,431	64,309	61,158	61,150	
Cumulative (deficiency)/ redundancy of gross reserves[2]	3,069	3,681	2,729	2,714	3,808	3,823	2,406	1,029	(767)	
Cumulative (deficiency)/ redundancy as a percentage of initial gross reserves	4.5%	5.3%	4.0%	4.2%	6.0%	6.1%	3.6%	1.7%	(1.3%)	

1 Undiscounted amounts starting 2016, prior years are shown discounted.
2 Changes to incurred gross prior year losses and loss adjustment expenses relate largely to business with limited net impact to the Group such as liabilities related to captive business, development in losses related to 2017 catastrophe events that are substantially reinsured, and participation in large claims related to business where the Group retains only a portion of the overall loss.

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Table 8.4 presents changes in the historical reserves for losses and loss adjustment expenses, net of reinsurance, that the Group established in 2011 and subsequent years. Reserves are presented by financial year, not by accident year. The reserves (and the development thereon) are for all accident years in that financial year. The top line of the table shows the estimated gross reserves for unpaid losses and loss adjustment expenses as of each balance sheet date, which represents the estimated amount of future payments for losses incurred in that year and in prior years. The cumulative paid portion of the table presents the cumulative amounts paid through each subsequent year in respect of the reserves established at each year end. Similarly, the cumulative incurred losses section details the sum of the cumulative paid amounts shown in the triangle above and the changes in loss reserves since the end of each financial year. The net undiscounted reserves re-estimated portion of the table shows the re-estimation of the initially recorded reserve as of each succeeding year end. Reserve development is shown in each column. Changes to estimates are made as more information becomes known about the actual losses for which the initial reserves were established. The cumulative deficiency or redundancy is equal to the initial net reserves less the liability re-estimated as of December 31, 2020. It is the difference between the initial net reserve estimate and the last entry of the diagonal in the net undiscounted reserves re-estimated portion of the table. Conditions and trends that have affected the development of reserves for losses and loss adjustment expenses in the past may or may not necessarily occur in the future, and accordingly, conclusions about future results cannot be derived from the information presented in table 8.4.

The Group has considered asbestos, including latent injury, claims and claims expenses in establishing the reserves for losses and loss adjustment expenses. The Group continues to be advised of indemnity claims asserting injuries from asbestos. Coverage and claim settlement issues, such as determination that coverage exists and the definition of an occurrence, together with increased medical diagnostic capabilities and awareness have often caused actual loss development to exhibit more variation than in other lines of business. Such claims require specialized reserving techniques and the uncertainty of the ultimate cost of these types of claims has tended to be greater than the uncertainty related to standard lines of business.

Net reserves for losses and loss adjustment expenses for asbestos amounted to USD 121 million and USD 123 million for the years ended December 31, 2020 and 2019, respectively.

Development of future life policyholder benefits

Table 8.5

in USD millions	Gross		Ceded		Net	
	2020	2019	**2020**	2019	**2020**	2019
As of January 1	77,756	74,950	(3,978)	(3,110)	73,778	71,839
Premiums	12,579	13,634	(1,385)	(1,368)	11,194	12,266
Claims	(11,182)	(10,631)	1,141	1,098	(10,041)	(9,534)
Fee income and other expenses	(3,856)	(3,911)	238	258	(3,618)	(3,652)
Interest and bonuses credited to policyholders	2,080	2,107	(101)	(101)	1,979	2,007
Changes in assumptions	76	49	–	–	76	49
Acquisitions/(divestments) and transfers[1]	20	1,305	39	(753)	59	552
Increase/(decrease) recorded in other comprehensive income	728	876	–	–	728	876
Foreign currency translation effects	5,757	(623)	(208)	(2)	5,548	(626)
As of December 31	**83,958**	**77,756**	**(4,256)**	**(3,978)**	**79,703**	**73,778**

1 The 2020 net movement is mainly related to adjustments to the acquisition of OnePath (see note 5), the 2019 net movement is mainly related to the acquisition of OnePath (see note 5).

Long-duration contract liabilities included in future life policyholder benefits result primarily from traditional participating and non-participating life insurance products. Short-duration contract liabilities are primarily accident and health insurance products.

Future life policyholder benefits are generally calculated by a net premium valuation. In terms of U.S. dollars, the weighted average discount rate used in the calculation of future life policyholder benefits is 2.1 percent and 2.3 percent as of December 31, 2020 and 2019, respectively.

The amount of policyholder dividends to be paid is determined annually by each life insurance subsidiary. Policyholder dividends include life policyholder share of net income and unrealized appreciation of investments that are required to be allocated by the insurance contract or by local insurance regulations. Experience adjustments related to future policyholder benefits and policyholder contract deposits vary according to the type of contract and the country. Investment, mortality and morbidity results may be passed through by experience credits or as an adjustment to the premium mechanism, subject to local regulatory provisions.

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The net impact of changes in assumptions on future life policyholder benefits by type of assumption is shown in table 8.6.

Table 8.6

Effect of changes in assumptions for future life policyholder benefits

in USD millions, for the years ended December 31	2020	2019
Interest rates	13	15
Investment return	14	30
Changes in modeling	40	–
Expense	2	4
Morbidity	–	(5)
Longevity	–	5
Lapses	5	3
Other	1	(2)
Net impact of changes in assumptions	**75**	**48**

Table 8.7

Policyholder contract deposits and other funds gross

in USD millions, as of December 31	2020	2019
Universal life and other contracts	14,622	13,679
Policyholder dividends	16,875	13,801
Total	**31,497**	**27,480**

Table 8.8

Development of policyholder contract deposits and other funds

in USD millions	Gross		Ceded		Net	
	2020	2019	2020	2019	2020	2019
As of January 1	27,480	24,266	(3,285)	(3,416)	24,195	20,850
Premiums	1,204	1,175	(74)	(76)	1,130	1,099
Claims	(1,210)	(1,327)	245	306	(964)	(1,021)
Fee income and other expenses	(437)	(291)	(4)	–	(441)	(290)
Interest and bonuses credited to policyholders	1,114	1,393	(118)	(119)	995	1,274
Acquisitions/(divestments) and transfers[1]	16	244	–	–	16	244
Increase/(decrease) recorded in other comprehensive income	1,517	2,328	–	–	1,517	2,328
Foreign currency translation effects	1,813	(308)	–	20	1,813	(287)
As of December 31	**31,497**	**27,480**	**(3,236)**	**(3,285)**	**28,261**	**24,195**

1 The 2020 net movement is related to the acquisition of Adira Insurance (see note 5), the 2019 net movement is mainly related to the acquisition of OnePath (see note 5).

Consolidated financial statements (continued)

Tables 8.9a and 8.9b provide an analysis of the expected maturity profile of reserves for insurance contracts, net of reinsurance, based on expected cash flows without considering the surrender values as of December 31, 2020 and 2019. Reserves for unit-linked insurance contracts amounting to USD 81 billion and USD 78 billion as of December 31, 2020 and 2019, respectively, are not included, as policyholders can generally surrender their contracts at any time, at which point the underlying unit-linked assets would be liquidated. Risks from the liquidation of unit-linked assets are largely borne by the policyholders of unit-linked contracts.

Table 8.9a

Expected maturity profile for reserves for insurance contracts, net of reinsurance – current period

in USD millions, as of December 31, 2020	Reserves for losses and loss adjustment expenses	Future life policyholder benefits	Policyholder contract deposits and other funds	Total
< 1 year	14,304	8,826	1,785	24,915
1 to 5 years	19,394	18,138	2,232	39,764
5 to 10 years	6,819	15,459	2,795	25,073
10 to 20 years	5,413	13,027	2,958	21,398
> 20 years	3,022	24,253	18,491	45,767
Total	**48,951**	**79,703**	**28,261**	**156,916**

Table 8.9b

Expected maturity profile for reserves for insurance contracts, net of reinsurance – prior period

in USD millions, as of December 31, 2019	Reserves for losses and loss adjustment expenses	Future life policyholder benefits	Policyholder contract deposits and other funds	Total
< 1 year	14,214	9,043	1,680	24,937
1 to 5 years	19,221	15,908	1,988	37,116
5 to 10 years	6,403	15,019	2,348	23,770
10 to 20 years	4,762	12,654	2,818	20,234
> 20 years	2,428	21,154	15,362	38,944
Total	**47,028**	**73,778**	**24,195**	**145,001**

Consolidated financial statements (continued)

9. Liabilities for investment contracts

Liabilities for investment contracts

Table 9.1

in USD millions, as of December 31	2020	2019
Unit-linked investment contracts	55,174	48,967
Investment contracts (amortized cost)	878	931
Investment contracts with DPF	13,455	11,863
Total	**69,507**	**61,761**

Unit-linked investment contracts issued by the Group are recorded at a value reflecting the returns on investment funds which include selected equities, debt securities and derivative financial instruments. Policyholders bear the full risk of the returns on these investments.

The value of financial liabilities at amortized cost is based on a discounted cash flow valuation technique. The initial valuation of the discount rate is determined by the current market assessment of the time value of money and risk specific to the liability.

Development of liabilities for investment contracts

Table 9.2

in USD millions	2020	2019
As of January 1	61,761	51,439
Premiums	6,210	10,913
Claims	(5,959)	(9,587)
Fee income and other expenses	(366)	(425)
Interest and bonuses credited to policyholders	3,364	10,257
Acquisitions/(divestments) and transfers[1]	(301)	(1,916)
Increase/(decrease) recorded in other comprehensive income	525	660
Foreign currency translation effects	4,274	419
As of December 31	**69,507**	**61,761**

1 As of December 31, 2020, the net carrying amount of liabilities for investment contracts decreased by USD 301 million due to portfolio transactions by Zurich International Life Limited and Zurich Life Assurance plc (see note 5). As of December 31, 2019, the net carrying amount of liabilities for investment contracts decreased by USD 3.1 billion due to the completion of the sale in the UK (see note 5) and increased by USD 1.2 billion from the acquisition of OnePath (see note 5).

Consolidated financial statements (continued)

Tables 9.3a and 9.3b provide an analysis of investment contract liabilities according to maturity, based on expected cash flows as of December 31, 2020 and 2019. The undiscounted contractual cash flows for investment contract liabilities are USD 69 billion and USD 62 billion as of December 31, 2020 and 2019, respectively. Liabilities for unit-linked investment contracts amounted to USD 55 billion and USD 49 billion as of December 31, 2020 and 2019, respectively. Policyholders of unit-linked investment contracts can generally surrender their contracts at any time, leading the underlying assets to be liquidated, risks arising from liquidation of unit-linked assets are borne by the policyholders. Certain non-unit-linked contracts also allow for surrender of the contract by the policyholder at any time. Liabilities for such contracts amounted to USD 444 million and USD 417 million as of December 31, 2020 and 2019, respectively. The Group actively manages the Life in-force business to improve persistency and retention.

Expected maturity profile for liabilities for investment contracts – current period

Table 9.3a

in USD millions, as of December 31, 2020	**Liabilities related to unit-linked investment contracts**	**Liabilities related to investment contracts (amortized cost)**	**Liabilities related to investment contracts with discretionary participation features**	**Total**
< 1 year	3,921	657	525	5,103
1 to 5 years	8,223	90	2,228	10,541
5 to 10 years	9,222	55	2,169	11,446
10 to 20 years	8,043	57	1,268	9,368
> 20 years	25,764	20	7,265	33,049
Total	**55,174**	**878**	**13,455**	**69,507**

Expected maturity profile for liabilities for investment contracts – prior period

Table 9.3b

in USD millions, as of December 31, 2019	Liabilities related to unit-linked investment contracts	Liabilities related to investment contracts (amortized cost)	Liabilities related to investment contracts with discretionary participation features	Total
< 1 year	3,888	647	494	5,029
1 to 5 years	7,449	130	1,720	9,299
5 to 10 years	8,525	69	2,278	10,873
10 to 20 years	7,601	63	1,184	8,848
> 20 years	21,503	22	6,188	27,712
Total	**48,967**	**931**	**11,863**	**61,761**

Consolidated financial statements (continued)

10. Gross and ceded insurance revenues and expenses

Table 10.1

Insurance benefits and losses

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2020	2019	**2020**	2019	**2020**	2019
Losses and loss adjustment expenses	24,598	21,631	(7,017)	(4,965)	17,581	16,666
Life insurance death and other benefits	11,300	11,989	(1,141)	(1,085)	10,160	10,903
Total insurance benefits and losses	**35,899**	**33,620**	**(8,158)**	**(6,051)**	**27,741**	**27,570**

Table 10.2

Policyholder dividends and participation in profits

in USD millions, for the years ended December 31	**2020**	2019
Change in policyholder contract deposits and other funds	817	1,080
Change in reserves for unit-linked insurance contracts	4,233	9,515
Change in liabilities for investment contracts – unit-linked	3,223	10,050
Change in liabilities for investment contracts – other	147	219
Change in unit-linked liabilities related to UK capital gains tax	(95)	(283)
Total policyholder dividends and participation in profits	**8,325**	**20,582**

Table 10.3

Underwriting and policy acquisition costs

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2020	2019	**2020**	2019	**2020**	2019
Amortization of deferred acquisition costs	6,585	6,525	(889)	(866)	5,696	5,660
Amortization of deferred origination costs	67	71	–	–	67	71
Commissions and other underwriting and acquisition expenses[1]	2,996	3,141	(204)	(342)	2,792	2,798
Total underwriting and policy acquisition costs	**9,647**	**9,737**	**(1,092)**	**(1,208)**	**8,555**	**8,529**

1 Net of additions related to deferred acquisition and origination costs.

Table 10.4

Change in reserves for unearned premiums

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2020	2019	**2020**	2019	**2020**	2019
Change in reserves for unearned premiums	**903**	**1,187**	**(280)**	**(239)**	**623**	**949**

11. Deferred policy acquisition costs and deferred origination costs

Table 11.1

Development of deferred policy acquisition costs

in USD millions	Property & Casualty		Life		Other businesses[1]		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
As of January 1	5,694	5,367	11,695	12,350	1,818	1,824	19,207	19,541
Acquisition costs deferred	4,572	4,569	1,645	1,849	127	169	6,344	6,586
Amortization	(4,363)	(4,236)	(1,226)	(1,296)	(110)	(117)	(5,699)	(5,648)
Impairments[2]	–	–	(19)	(177)	–	–	(19)	(177)
Amortization (charged)/credited to other comprehensive income	–	–	(206)	(367)	(42)	(46)	(248)	(413)
Acquisitions/(divestments) and transfers[3]	43	4	(107)	(736)	(4)	(12)	(68)	(745)
Foreign currency translation effects	38	(9)	466	74	(1)	–	503	64
As of December 31	**5,984**	**5,694**	**12,248**	**11,695**	**1,789**	**1,818**	**20,021**	**19,207**

1 Net of eliminations from inter-segment transactions.
2 In 2019, Impairment related to UK held for sale transaction (see note 5).
3 2020, Property & Casualty movement of USD 43 million is mainly related to the acquisition of Adira Insurance for USD 33 million and CSS Versicherung AG Commercial Accident and Health business for USD 5 million (see note 5). The movement in Life of USD 107 million is mainly related to an agreement entered by Zurich International Life Limited to sell an insurance portfolio (see note 5). 2019 movement in Life is related to the elimination of the internal reinsurance agreement on consolidation of OnePath (see note 5), Property & Casualty movement of USD 4 million is related to the acquisition of OnePath and the other businesses movement of USD 12 million is mainly related to the portfolio transfer in Farmers.

Table 11.2

Development of deferred origination costs

in USD millions	**2020**	2019
As of January 1	400	419
Origination costs deferred	69	53
Amortization	(71)	(71)
Acquisitions/(divestments) and transfers	(2)	–
Foreign currency translation effects	29	(1)
As of December 31	**426**	**400**

12. Expenses

Table 12 shows expenses by functional area and by type of expense.

Table 12

Expenses

in USD millions, for the years ended December 31	**2020**	2019
Administrative and other operating expenses	8,006	8,020
Underwriting and policy acquisition costs, net of reinsurance	8,555	8,529
Claims handling expenses[1]	2,494	2,535
Investment expenses	364	338
Total	**19,419**	**19,422**
of which:		
Personnel and other related costs	6,306	6,229
Building and infrastructure costs	588	441
Brand and marketing expenses	609	653
Commissions (net of DAC)	6,643	6,588
Premium taxes (net of DAC)	563	514
Asset and other non-income taxes	62	86
IT expenses	1,886	1,909
Outsourcing and professional services	2,049	2,272
Foreign currency translation	65	70
Other	647	661
Total	**19,419**	**19,422**

1 Included within losses and loss adjustment expenses (see table 10.1).

Consolidated financial statements (continued)

13. Property and equipment

Buildings held for own use and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss. Generally, these assets are depreciated on a straight-line basis to income over the following estimated useful lives:

- buildings 25 to 50 years;
- furniture and fixtures 5 to 10 years;
- computer equipment 3 to 6 years;
- other equipment 6 to 10 years (or determined by the term of lease).

Land held for own use is carried at cost less any accumulated impairment loss.

The right-of-use asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated over the shorter of the leased asset's useful life or the lease term on a straight-line basis.

Table 13.1

Property and equipment overview

in USD millions, as of December 31	Real Estate		Equipment		Total	
	2020	2019	**2020**	2019	**2020**	2019
Right-of-use	1,608	1,610	47	57	1,655	1,667
Owned and subject to operating lease	527	451	523	517	1,050	968
Total	**2,135**	**2,061**	**570**	**574**	**2,705**	**2,635**

Table 13.2

Property and equipment – current period

in USD millions	Real Estate				Equipment			Total		
	Owned	Owned – subject to operating lease	Right-of-use	Total	Owned	Right-of-use	Total	Owned incl. operating lease	Right-of-use	Total
Gross carrying value as of January 1, 2020	**589**	**3**	**2,472**	**3,064**	**1,424**	**115**	**1,539**	**2,016**	**2,587**	**4,603**
Less: accumulated depreciation/impairments	(140)	(1)	(862)	(1,003)	(907)	(58)	(965)	(1,048)	(920)	(1,968)
Net carrying value as of January 1, 2020	**449**	**2**	**1,610**	**2,061**	**517**	**57**	**574**	**968**	**1,667**	**2,635**
Additions and improvements[1]	58	1	110	170	156	16	171	215	126	341
Lease modifications	–	–	42	42	–	(3)	(3)	–	39	39
Depreciation and impairments[2]	(8)	–	(218)	(226)	(131)	(20)	(151)	(139)	(238)	(377)
Acquisitions/(divestments) and transfers	(13)	(3)	(5)	(21)	(40)	(3)	(43)	(57)	(8)	(65)
Foreign currency translation effects	41	–	68	109	22	–	22	62	69	131
Net carrying value as of December 31, 2020	**527**	**–**	**1,608**	**2,135**	**523**	**47**	**570**	**1,050**	**1,655**	**2,705**
Plus: accumulated depreciation/ impairments	134	–	1,029	1,163	871	46	918	1,005	1,075	2,081
Gross carrying value as of December 31, 2020	**661**	**–**	**2,637**	**3,298**	**1,394**	**94**	**1,488**	**2,055**	**2,731**	**4,785**

1 Includes the initial recognition of right-of-use asset in Australia of USD 47 million as a result of sale and leaseback transaction.
2 Includes impairment of fixed assets of USD 30 million.

Consolidated financial statements (continued)

Property and equipment – prior period

Table 13.3

in USD millions	Real Estate				Equipment			Total		
	Owned	Owned – subject to operating lease	Right-of-use	Total	Owned	Right-of-use	Total	Owned incl. operating lease	Right-of-use	Total
Gross carrying value as of January 1, 2019	**606**	**3**	**2,146**	**2,755**	**1,379**	**117**	**1,496**	**1,988**	**2,263**	**4,251**
Less: accumulated depreciation/impairments	(147)	(1)	(793)	(941)	(844)	(43)	(888)	(992)	(836)	(1,829)
Net carrying value as of January 1, 2019	**459**	**2**	**1,353**	**1,814**	**535**	**74**	**608**	**995**	**1,427**	**2,422**
Additions and improvements	76	–	469	545	121	17	138	197	486	683
Lease modifications	–	–	(3)	(3)	–	(3)	(3)	–	(6)	(6)
Depreciation and impairments	(6)	–	(181)	(187)	(123)	(22)	(145)	(129)	(203)	(332)
Acquisitions/(divestments) and transfers[1]	(82)	–	(27)	(109)	(18)	(9)	(27)	(100)	(35)	(135)
Foreign currency translation effects	2	–	(1)	2	2	–	2	4	–	4
Net carrying value as of December 31, 2019	**449**	**2**	**1,610**	**2,061**	**517**	**57**	**574**	**968**	**1,667**	**2,635**
Plus: accumulated depreciation/ impairments	140	1	862	1,003	907	58	965	1,048	920	1,968
Gross carrying value as of December 31, 2019	**589**	**3**	**2,472**	**3,064**	**1,424**	**115**	**1,539**	**2,016**	**2,587**	**4,603**

1 Includes the sale of owned real estate in Australia of USD 87 million.

Lessee – lease expenses and income

Table 13.4

in USD millions, for the years ended December 31	2020	2019
Lease expenses[1]		
Interest expense on lease liabilities[2]	49	44
Short-term lease expenses	12	16
Low-value asset lease expenses	25	24
Lease income		
Income from subleasing right-of-use assets	14	32
Gains arising from sale and leaseback transactions[3]	24	53

1 Total cash outflow for leases amounts to USD 303 million and USD 280 million as of December 31, 2020 and 2019, respectively, excluding USD 2 billion and USD 1.9 billion of future cash outflows due to extension & termination options.
2 Included within 'Interest credited to policyholders and other interest.'
3 On October 23, 2019 a contract was signed between Zurich Australian Property Holdings Pty Ltd (ZAPH) and an Australian entity – Mount St Pty Ltd, for the sale of the Mount Street land and building for a total consideration of USD 245 million. Settlement took place on November 15, 2019 upon completion of all conditional precedents. Total consideration is formed of the following components: land USD 35 million, building constructed to date USD 52 million, estimated construction costs USD 70 million, final development fee (FDF) USD 88 million. 10 year lease term started from November 2020 with lease liability of USD 84 million.

Consolidated financial statements (continued)

Table 13.5

Lessor – finance lease and operating lease income

in USD millions, for the years ended December 31	2020	2019
Finance lease		
Selling profit or loss	–	7
Interest income on finance lease receivables	58	72
Total	**58**	**79**
Operating lease		
Operating lease income – property and equipment	18	23
Operating lease income – investment property	648	615
Total	**666**	**638**

Table 13.6

Maturity schedule – finance lease receivable

in USD millions, as of December 31	2020			2019		
	Carrying value	Unearned interest	Undiscounted cash flows	Carrying value	Unearned interest	Undiscounted cash flows
< 1 year	91	18	109	127	24	151
1 to 2 years	24	13	36	54	25	79
2 to 3 years	118	10	129	37	15	52
3 to 4 years	89	9	98	113	12	126
4 to 5 years	20	5	25	83	10	93
> 5 years	184	100	285	163	65	227
Total	**527**	**155**	**682**	**577**	**151**	**728**

Table 13.7

Maturity schedule – operating lease payments to be received

in USD millions, as of December 31	Undiscounted cash flows	
	2020	2019
< 1 year	480	424
1 to 2 years	324	288
2 to 3 years	274	240
3 to 4 years	221	200
4 to 5 years	190	160
> 5 years	945	893
Total	**2,434**	**2,205**

Consolidated financial statements (continued)

14. Attorney-in-fact contracts, goodwill and other intangible assets

Table 14.1

Intangible assets – current period

in USD millions	Attorney-in-fact contracts	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Gross carrying value as of January 1, 2020	1,025	3,883	2,556	4,286	5,059	331	17,140
Less: accumulated amortization/impairments	–	(274)	(2,116)	(1,752)	(3,917)	(113)	(8,171)
Net carrying value as of January 1, 2020	1,025	3,610	440	2,534	1,141	218	8,968
Additions and acquisitions	–	366	–	54	355	5	780
Divestments and transfers	–	–	–	(5)	(6)	–	(12)
Amortization[1]	–	–	(33)	(115)	(300)	(12)	(460)
Amortization charged to other comprehensive income	–	–	(17)	–	–	–	(17)
Impairments	–	(33)	–	(24)	(13)	(4)	(74)
Foreign currency translation effects	–	146	24	(56)	43	2	159
Net carrying value as of December 31, 2020	**1,025**	**4,089**	**413**	**2,388**	**1,221**	**209**	**9,345**
Plus: accumulated amortization/impairments	–	323	2,236	1,885	3,810	131	8,385
Gross carrying value as of December 31, 2020	1,025	4,412	2,649	4,273	5,030	340	17,730

1 Amortization of distribution agreements is included within underwriting and policy acquisition costs.

As of December 31, 2020, intangible assets related to non-controlling interests were USD 50 million for present value of future profits (PVFP) of acquired insurance contracts, USD 972 million for distribution agreements, USD 10 million for software, USD 44 million for goodwill and USD 2 million for other intangible assets.

As a result of the acquisition of Adira Insurance in Indonesia, intangible assets increased by USD 253 million, of which USD 212 million is goodwill, USD 35 million is distribution agreements and USD 6 million is other intangible assets. Goodwill further increased following the acquisition of the CSS Versicherung AG Commercial Accident and Health business in Switzerland and also as a result of post-acquisition adjustments related to the OnePath acquisition (see note 5).

A goodwill impairment of USD 33 million was recognized relating to Bright Box, which is part of the Group Functions & Operations segment.

Table 14.2

Intangible assets by business – current period

in USD millions, as of December 31, 2020	Attorney-in-fact contracts	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Property & Casualty	–	1,876	–	762	749	183	3,570
Life	–	1,365	381	1,625	57	26	3,455
Farmers	1,025	819	32	–	351	–	2,228
Group Functions and Operations	–	29	–	–	64	–	92
Net carrying value	**1,025**	**4,089**	**413**	**2,388**	**1,221**	**209**	**9,345**

Consolidated financial statements (continued)

Table 14.3

Intangible assets – prior period

in USD millions	Attorney-in-fact contracts	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Gross carrying value as of January 1, 2019	1,025	2,938	2,539	4,304	4,845	309	15,960
Less: accumulated amortization/impairments	–	(276)	(2,041)	(1,578)	(3,682)	(109)	(7,687)
Net carrying value as of January 1, 2019	1,025	2,662	498	2,726	1,162	199	8,272
Additions and acquisitions	–	977	7	97	351	34	1,467
Divestments and transfers	–	–	–	–	(11)	–	(11)
Amortization[1]	–	–	(36)	(225)	(331)	(12)	(604)
Amortization charged to other comprehensive income	–	–	(24)	–	–	–	(24)
Impairments	–	–	–	–	(29)	(1)	(31)
Foreign currency translation effects	–	(30)	(5)	(64)	–	(3)	(102)
Net carrying value as of December 31, 2019	**1,025**	**3,610**	**440**	**2,534**	**1,141**	**218**	**8,968**
Plus: accumulated amortization/impairments	–	274	2,116	1,752	3,917	113	8,171
Gross carrying value as of December 31, 2019	1,025	3,883	2,556	4,286	5,059	331	17,140

1 Amortization of distribution agreements is included within underwriting and policy acquisition costs.

As of December 31, 2019, intangible assets related to non-controlling interests were USD 54 million for present value of future profits (PVFP) of acquired insurance contracts, USD 967 million for distribution agreements, USD 10 million for software, USD 8 million for goodwill and USD 4 million for other intangible assets.

As a result of the acquisition of OnePath, intangible assets increased by USD 991 million, of which USD 936 million is goodwill, USD 55 million is distribution agreements and other intangible assets (see note 5). The acquisition of QBE Colombia increased goodwill by USD 23 million. As a result of an acquisition in Slovenia, intangible assets increased by USD 21 million, of which USD 11 million is goodwill and USD 9 million is software. A small acquisition in Germany increased intangible assets by USD 7 million.

Table 14.4

Intangible assets by business – prior period

in USD millions, as of December 31, 2019	Attorney-in-fact contracts	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Property & Casualty	–	1,531	–	877	659	193	3,260
Life	–	1,197	388	1,657	63	25	3,330
Farmers	1,025	819	52	–	336	–	2,233
Group Functions and Operations	–	63	–	–	83	–	145
Net carrying value	**1,025**	**3,610**	**440**	**2,534**	**1,141**	**218**	**8,968**

15. Receivables and other assets

Table 15

Receivables and other assets

in USD millions, as of December 31	**2020**	2019
Financial assets		
Group derivative assets	1,763	1,226
Unit-linked derivative assets	26	3
Receivables from policyholders	3,319	3,434
Receivables from insurance companies, agents and intermediaries	5,508	4,999
Receivables arising from ceded reinsurance	1,549	1,465
Reverse repurchase agreements	–	56
Amounts due from investment brokers	949	857
Other receivables	2,505	2,412
Allowance for impairments[1]	(332)	(263)
Accrued premiums	910	895
Accrued investment income[2]	1,576	1,550
Assets for defined benefit plans[3]	630	316
Other financial assets	174	231
Non-financial assets		
Current income tax receivables	905	859
Prepaid expenses	475	437
Other non-financial assets	404	880
Total receivables and other assets	**20,362**	**19,357**

1 Includes receivables arising from ceded reinsurance of USD 88 million and USD 58 million as of December 31, 2020 and 2019, respectively.
2 Accrued investment income on the unit-linked investments amounts to USD 87 million and USD 79 million as of December 31, 2020 and 2019, respectively.
3 See note 20.

Receivables are carried at notional amounts and are generally settled within one year. The notional and fair value amounts are not significantly different.

Consolidated financial statements (continued)

16. Other liabilities

Other liabilities

Table 16.1

in USD millions, as of December 31	2020	2019
Other financial liabilities		
Group derivative liabilities	481	365
Unit-linked derivative liabilities	1	2
Amounts due to agents & intermediaries	773	844
Liabilities for cash collateral received for securities lending	111	56
Amounts due to investment brokers	1,910	1,444
Bank deposits	1	1
Collateralized bank financing for structured lease vehicles	139	287
Liabilities for defined benefit plans[1]	2,800	2,519
Other liabilities for employee benefit plans	131	118
Lease liabilities	2,082	1,917
Accrued liabilities	2,221	2,194
Other financial liabilities	5,424	5,184
Other non-financial liabilities		
Current income tax payables	770	661
Restructuring provisions	167	106
Other non-financial liabilities	981	868
Total other liabilities	**17,992**	**16,567**

1 See note 20.

Table 16.2 shows the maturity schedule of other financial liabilities excluding liabilities for defined benefit plans and lease liabilities as of December 31, 2020 and 2019. The allocation to the time bands is based on the expected maturity date for the carrying value and the earliest contractual maturity for the undiscounted cash flows.

Maturity schedule – other financial liabilities

Table 16.2

in USD millions, as of December 31	2020		2019	
	Carrying value	Undiscounted cash flows	Carrying value	Undiscounted cash flows
< 1 year	10,769	10,781	9,928	9,955
1 to 2 years	136	144	108	121
2 to 3 years	67	71	194	203
3 to 4 years	6	7	43	47
4 to 5 years	77	93	7	10
> 5 years	139	240	215	384
Total	**11,193**	**11,336**	**10,495**	**10,721**

Maturity schedule – lease liabilities

Table 16.3

in USD millions, as of December 31	2020		2019	
	Carrying value	Undiscounted cash flows	Carrying value	Undiscounted cash flows
< 1 year	235	276	205	249
1 to 2 years	215	252	197	234
2 to 3 years	179	212	182	216
3 to 4 years	155	186	155	183
4 to 5 years	145	172	124	150
> 5 years	1,153	1,478	1,054	1,201
Total	**2,082**	**2,576**	**1,917**	**2,232**

Consolidated financial statements (continued)

Restructuring provisions

Table 16.4

in USD millions	2020	2019
As of January 1	106	258
Provisions made during the period	121	53
Increase of provisions set up in prior years	22	65
Provisions used during the period	(78)	(192)
Provisions reversed during the period	(12)	(8)
Foreign currency translation effects	6	–
Other changes[1]	2	(69)
As of December 31	**167**	**106**

1 Other changes relate to the adjustment of right-of-use assets following the implementation of IFRS 16 'Leases'.

During the year ended December 31, 2020 the Group incurred total restructuring costs of USD 214 million, of which USD 131 million is due to net increases in restructuring provisions, affecting mainly Property & Casualty in Europe, Middle East & Africa (EMEA) and Farmers.

During the year ended December 31, 2019 the Group incurred total restructuring costs of USD 160 million, of which USD 110 million is due to net increases in restructuring provisions, affecting mainly Property & Casualty in Europe, Middle East & Africa (EMEA), North America and Life EMEA.

17. Income taxes

Table 17.1

Income tax expense – current/deferred split

in USD millions, for the years ended December 31	2020	2019
Current	1,412	1,414
Deferred	(89)	302
Total income tax expense/(benefit)	**1,323**	**1,716**

Table 17.2

Expected and actual income tax expense

in USD millions, for the years ended December 31	Rate	2020	Rate	2019
Net income before income taxes		5,395		6,100
less: income tax (expense)/benefit attributable to policyholders		(46)		(365)
Net income before income taxes attributable to shareholders		5,348		5,735
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	21.0%	1,123	21.0%	1,204
Increase/(reduction) in taxes resulting from:				
Tax rate differential in foreign jurisdictions		(57)		(111)
Tax exempt and lower taxed income		(152)		(123)
Non-deductible expenses		166		138
Tax losses not recognized		66		206
Prior year adjustments and other		130		36
Actual income tax expense attributable to shareholders	**23.9%**	**1,277**	**23.6%**	**1,351**
plus: income tax expense/(benefit) attributable to policyholders		46		365
Actual income tax expense	24.5%	1,323	28.1%	1,716

Table 17.2 sets out the factors that cause the actual income tax expense to differ from the expected expense computed by applying the Swiss statutory tax rate of 21.0 percent, which is the rate applicable in the jurisdiction where the ultimate parent company is resident.

The Group is required to record taxes on policyholder earnings for life insurance policyholders in certain jurisdictions. Accordingly, the income tax expense or benefit attributable to these life insurance policyholder earnings is included in income tax expense. In certain jurisdictions an accrual for future policy fees that will cover the tax charge is included in insurance benefits and losses.

Taxes paid by certain of the Group's life insurance businesses are based on the investment result less allowable expenses. To the extent these taxes exceed the amount that would have been payable in relation to the shareholders' share of taxable profits, it is normal practice for certain of the Group's businesses to recover this portion from policyholders. While the relevant company has the contractual right to charge policyholders for the taxes attributable to their share of the investment result less expenses, the obligation to pay the tax authority rests with the company and therefore, the full amount of tax including the portion attributable to policyholders is accounted for as income tax. Income tax expense therefore includes an element attributable to policyholders.

Consolidated financial statements (continued)

Deferred tax assets/(liabilities) analysis by source

Table 17.3

in USD millions, as of December 31	2020 Assets	2020 Liabilities	2019 Assets	2019 Liabilities
Gross deferred tax				
Deferred acquisition and origination costs	79	(529)	71	(514)
Depreciable and amortizable assets	215	(141)	208	(141)
Life policyholders' benefits and deposits[1]	256	(4)	5	(8)
Unrealized (gains)/losses on available-for-sale investments and cash flow hedges	27	(114)	8	(4)
Accruals and deferred income	38	(18)	26	(25)
Reserves for losses and loss adjustment expenses	127	(13)	297	(14)
Reserves for unearned premiums	570	(1)	554	–
Deferred front-end fees	4	–	5	–
Pensions and other employee benefits	513	(37)	481	(56)
Other assets/liabilities	369	(91)	237	(52)
Tax loss carryforwards	476	–	390	–
Gross deferred tax assets/(liabilities) before valuation allowance	2,673	(949)	2,281	(813)
Valuation allowance	(410)		(317)	–
Gross deferred tax assets/(liabilities) after valuation allowance	2,263	(949)	1,964	(813)
Deferred tax assets	**1,314**		**1,151**	
Gross deferred tax				
Deferred acquisition and origination costs	57	(2,643)	22	(2,377)
Depreciable and amortizable assets	473	(1,842)	326	(1,818)
Life policyholders' benefits and deposits[1]	1,533	(1,308)	1,947	(1,087)
Unrealized (gains)/losses on available-for-sale investments and cash flow hedges	263	(1,674)	248	(1,348)
Accruals and deferred income	183	(90)	170	(99)
Reserves for losses and loss adjustment expenses	281	(612)	228	(484)
Reserves for unearned premiums	244	(76)	217	(70)
Deferred front-end fees	586	–	494	–
Pensions and other employee benefits	375	(382)	386	(348)
Other assets/liabilities	673	(1,285)	682	(1,697)
Tax loss carryforwards	511	–	432	–
Gross deferred tax assets/(liabilities) before valuation allowance	5,181	(9,913)	5,152	(9,329)
Valuation allowance	(404)	–	(357)	–
Gross deferred tax assets/(liabilities) after valuation allowance	4,777	(9,913)	4,796	(9,329)
Deferred tax liabilities		**(5,136)**		**(4,533)**
Net deferred tax liabilities		**(3,822)**		**(3,382)**

1 Includes reserves for unit-linked contracts.

The Group's deferred tax assets and liabilities are recorded by its tax-paying entities throughout the world, which may include several legal entities within each tax jurisdiction. Legal entities are grouped as a single taxpayer only when permitted by local legislation and when deemed appropriate. The first part of table 17.3 includes single taxpayers with a net deferred tax asset position and the second part includes single taxpayers with a net deferred tax liability position.

As of December 31, 2020 and 2019, the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognized amount to approximately USD 26 billion and USD 24 billion, respectively. In the remote likelihood that these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

Consolidated financial statements (continued)

Table 17.4

Development of net deferred tax liabilities

in USD millions	2020	2019
As of January 1	(3,382)	(2,790)
Net change recognized in the income statement	89	(302)
Net change recognized in equity	(355)	(607)
Net changes due to acquisitions/(divestments)	24	314
Foreign currency translation effects	(198)	3
As of December 31	**(3,822)**	**(3,382)**
attributable to policyholders	(691)	(675)
attributable to shareholders	(3,131)	(2,707)

The net deferred tax liabilities related to non-controlling interests amounted to USD 162 million and USD 179 million as of December 31, 2020 and 2019, respectively.

Table 17.5

Development of deferred income taxes included in equity

in USD millions	2020	2019
As of January 1	(193)	406
Net unrealized (gains)/losses on available-for-sale investments	(336)	(580)
Cash flow hedges	–	(3)
Revaluation reserve	(5)	4
Net actuarial (gains)/losses on pension plans	(13)	(28)
Foreign currency translation effects	(37)	8
As of December 31	**(585)**	**(193)**

Table 17.6

Tax loss carryforwards and tax credits

in USD millions, as of December 31	2020	2019
For which deferred tax assets have been recognized, expiring		
< 5 years	100	8
5 to 20 years	175	117
> 20 years or with no time limitation	619	448
Subtotal	894	573
For which deferred tax assets have not been recognized, expiring		
< 5 years	121	122
5 to 20 years	371	270
> 20 years or with no time limitation	2,585	2,313
Subtotal	3,077	2,705
Total	**3,971**	**3,278**

The tax rates applicable to tax losses for which a deferred tax asset has not been recognized are 24.5 percent and 24.4 percent as of December 31, 2020 and 2019, respectively.

The recoverability of the deferred tax asset for each taxpayer is based on the taxpayer's ability to utilize the deferred tax asset. This analysis considers the projected taxable income to be generated by the taxpayer, as well as its ability to offset the deferred tax asset against deferred tax liabilities.

Management assesses the recoverability of the deferred tax-asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred tax assets as of December 31, 2020, to be recoverable.

18. Senior and subordinated debt

Senior and subordinated debt

Table 18.1

in USD millions, as of December 31		2020	2019
Senior debt			
Zurich Insurance Company Ltd	0.625% CHF 250 million notes, due July 2020[1]	–	260
	2.875% CHF 250 million notes, due July 2021[1]	282	257
	3.375% EUR 500 million notes, due June 2022[1,3]	623	579
	1.875% CHF 100 million notes, due September 2023[1]	121	113
	1.750% EUR 500 million notes, due September 2024[1,3]	627	579
	0.500% CHF 350 million notes, due December 2024[1]	396	362
	0.510% CHF 120 million loan, due December 2024	136	124
	1.500% CHF 150 million notes, due July 2026[1]	188	175
	0.750% CHF 200 million notes, due October 2027[1]	226	206
	1.000% CHF 200 million notes, due October 2028[1]	226	207
	1.500% EUR 500 million notes, due December 2028[1,3]	607	557
	0.100% CHF 250 million notes, due August 2032[1]	283	–
Zurich Holding Comp. of America Inc	2.300% USD 400 million notes, due February 2030[1]	400	–
	Euro Commercial Paper Notes, due in less than 12 months	–	399
Zurich Finance (Australia) Limited	Floating rate AUD 241 million loan, due July 2020	–	169
	3.271% AUD 200 million loan, due May 2023	154	141
	3.477% AUD 350 million notes, due May 2023[1]	270	245
	4.500% AUD 375 million notes, due July 2038[1]	308	175
Zurich Finance (Ireland) DAC	1.625% EUR 500 million notes, due June 2039[1,3]	610	559
Other	Various debt instruments	14	41
Senior debt		5,470	5,148
Subordinated debt			
Zurich Insurance Company Ltd	2.750% CHF 225 million perpetual capital notes, first callable June 2021[1]	254	232
	2.750% CHF 200 million perpetual capital notes, first callable September 2021[1]	229	212
	4.750% USD 1 billion perpetual capital notes, first callable January 2022[1,3]	999	997
	4.250% EUR 1 billion notes, due October 2043, first callable October 2023[1,3]	1,219	1,117
	4.250% USD 300 million notes, due October 2045, first callable October 2025[1,3]	299	299
	5.625% USD 1 billion notes, due June 2046, first callable June 2026[1,3]	997	997
	3.500% EUR 750 million notes, due October 2046, first callable October 2026[1,2,3]	939	853
	5.125% USD 500 million notes, due June 2048, first callable June 2028[1,3]	498	498
	4.875% USD 500 million notes, due October 2048, first callable October 2028[1,3]	498	498
	2.750% EUR 500 million notes, due February 2049, first callable February 2029[1,3]	606	555
Zurich Finance (Ireland) DAC	1.875% EUR 750 million notes, due September 2050, first callable June 2030[1,3]	912	–
	1.600% EUR 200 million notes, due December 2052, first callable September 2032[1,3]	244	–
Zurich Finance (UK) plc	6.625% GBP 450 million perpetual notes, first callable October 2022[1]	613	593
Subordinated debt		8,306	6,852
Total senior and subordinated debt		**13,777**	**11,999**

1 Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).
2 The Group applied the fair value hedge methodology either partially or in full to hedge the interest rate exposure.
3 These bonds are part of a qualifying net investment hedge to hedge the foreign currency exposure.

None of the debt instruments listed in table 18.1 were in default as of 31 December 2020 or 31 December 2019.

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To facilitate the issuance of debt, the Group has in place a Euro Medium Term Note Program (EMTN Program) allowing for the issuance of senior and subordinated notes up to a maximum of USD 18 billion. All issuances under this program are either issued or guaranteed by Zurich Insurance Company Ltd. The Group has also issued debt outside this program.

Debt issued is recognized initially at fair value of the consideration received, net of transaction costs incurred, and subsequently carried at amortized cost using the effective interest rate method, unless fair value hedge accounting is applied.

Table 18.2

Maturity schedule of outstanding debt

in USD millions, as of December 31	2020		2019	
	Carrying value	**Undiscounted cash flows**	Carrying value	Undiscounted cash flows
< 1 year	779	1,228	870	1,272
1 to 2 years	2,234	2,630	701	1,093
2 to 3 years	1,763	2,072	2,169	2,510
3 to 4 years	1,159	1,393	1,615	1,882
4 to 5 years	299	537	1,065	1,254
5 to 10 years	6,098	6,660	4,845	5,402
> 10 years	1,444	1,627	734	899
Total	**13,777**	**16,148**	**11,999**	**14,310**

Debt maturities reflect original contractual dates, taking early redemption options into account. For call/redemption dates, see table 18.1. The total notional amount of debt due in each period is not materially different from the total carrying value disclosed in table 18.2. Undiscounted cash flows include interest and principal cash flows on debt outstanding as of December 31, 2020 and 2019. Floating interest rates are assumed to remain constant as of December 31, 2020 and 2019. The aggregated cash flows are translated into U.S. dollars at end-of-period rates.

Table 18.3

Development of debt arising from financing activities

in USD millions	**Total**	
	2020	2019
As of January 1	11,999	12,012
Issuance of debt recognized in cash flows	2,015	1,398
Repayment of debt recognized in cash flows	(1,024)	(1,367)
Changes in fair value	9	60
Other changes	(14)	(13)
Foreign currency translation effects	792	(90)
As of December 31	**13,777**	**11,999**

19. Shareholders' equity, dividends and earnings per share

Share capital

Table 19.1

	Share capital in CHF	Number of shares	Par value in CHF
Issued share capital			
As of December 31, 2018	15,134,803	151,348,027	0.10
Capital reduction in 2019 (as per AGM resolutions 2019)	174,000	1,740,000	0.10
As of December 31, 2019	14,960,803	149,608,027	0.10
New shares issued from contingent capital in 2020	85,214	852,140	0.10
As of December 31, 2020	**15,046,017**	**150,460,167**	**0.10**
Authorized, contingent and issued share capital			
As of December 31, 2019	22,955,526	229,555,259	0.10
As of December 31, 2020	22,935,926	229,359,259	0.10

The following information related to authorized share capital and contingent share capital is specified in articles 5bis and 5ter of the Articles of Association of Zurich Insurance Group Ltd.

a) Authorized share capital

On April 1, 2020, the Annual General Meeting approved a renewal of the authorized share capital for another two years (from April 2020 to April 1, 2022) and other changes to the authorized share capital, which are set out below. Since April 2020, the Board of Zurich Insurance Group Ltd is authorized to increase the share capital of Zurich Insurance Group Ltd (Company) by an amount not exceeding CHF 4,488,240 (prior to April 2020, 4,500,000) by issuing up to 44,882,400 (prior to April 2020, 45,000,000) fully-paid registered shares with a nominal value of CHF 0.10 each until April 1, 2022. An increase in partial amounts is permitted. The Board would determine the date of issue of any such new shares, the issue price, type of payment, conditions for exercising subscription rights, and the commencement of entitlement to dividends.

The Board may issue such new shares by means of a firm underwriting by a banking institution or syndicate with a subsequent offer of those shares to current shareholders. The Board may allow the expiry of subscription rights which have not been exercised, or it may place these rights as well as shares, the subscription rights of which have not been exercised, at market conditions.

The Board is further authorized to restrict or exclude the subscription rights of shareholders and to allocate them to third parties, the Company or one of its Group companies, up to a maximum of 14,960,800 (prior to April 2020, 15,000,000) fully-paid registered shares, if the shares are to be used:

- for the takeover of an enterprise, or parts of an enterprise or of participations or for investments by the Company or one of its Group companies, or the financing including re-financing of such transactions; or
- for the purpose of expanding the scope of shareholders in connection with the quotation of shares on foreign stock exchanges or issuance of shares on the national or international capital markets (including private placements to one or more selected investors); or
- for the conversion of loans, bonds, similar debt instruments, equity-linked instruments or other financial market instruments (collectively, the 'Financial Instruments') issued by the Company or one of its Group companies; or
- for the improvement of the regulatory capital position, and since April 2020, and/or the rating capital position of the Company or one of its Group companies in a fast and expeditious manner.

Until April 1, 2022, the total of new shares issued from (i) authorized share capital where the subscription rights were restricted or excluded, and (ii) contingent share capital in connection with Financial Instruments where the advance subscription rights were restricted or excluded, may not exceed 14,960,800 (prior to April 2020, 30,000,000) new shares.

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b) Contingent share capital

Financial Instruments

At the Annual General Meeting of April 1, 2020, the shareholders also approved changes to the contingent share capital. Since April 2020, the share capital of Zurich Insurance Group Ltd may be increased by an amount not exceeding CHF 2,992,160 (prior to April 2020, 3,000,000) by issuing of up to 29,921,600 (prior to April 2020, 30,000,000) fully-paid registered shares with a nominal value of CHF 0.10 each by the voluntary or mandatory exercise of conversion and/or option rights which are granted in connection with the issuance of Financial Instruments by the Company or one of its Group companies or by mandatory conversion of Financial Instruments issued by the Company or one of its Group companies, that allow for contingent mandatory conversion into shares of the Company, or by exercising option rights which are granted to the shareholders. The subscription rights are excluded. The then-current owners of the Financial Instruments shall be entitled to subscribe for the new shares. The conversion and/or option conditions are to be determined by the Board.

The Board is authorized, when issuing Financial Instruments to restrict or exclude the advance subscription rights in cases where they are issued:

– for the financing including re-financing of a take-over of an enterprise, of parts of an enterprise, or of participations or of investments by the Company or one of its Group companies; or
– on national or international capital markets (including private placements to one or more selected investors); or
– for the improvement of the regulatory capital position, and since April 2020, and/or the rating capital position of the Company or one of its Group companies in a fast and expeditious manner.

If the advance subscription rights are restricted or excluded by a resolution of the Board, the following applies: the Financial Instruments are to be issued at prevailing market conditions (including standard dilution protection clauses in accordance with market practice) and the setting of the conversion or issue price of the new shares must take due account of the stock market price of the shares and/or comparable instruments priced by the market at the time of issue or time of conversion.

The conversion rights may be exercisable during a maximum of ten years and option rights during a maximum of seven years from the time of the respective issue; contingent conversion features may remain in place indefinitely.

Since April 2020, the total of new shares issued from (i) authorized share capital where the subscription rights were restricted or excluded, and (ii) contingent share capital in connection with Financial Instruments where the advance subscription rights were restricted or excluded, may not exceed 14,960,800 (prior to April 2020, 30,000,000) new shares until April 1, 2022.

Employee participation

During 2020, 852,140 shares were issued to Group employees out of the contingent capital. During 2019 no shares were issued to employees from contingent share capital. As of December 31, 2020 and 2019 the remaining contingent share capital, available for issuance to employees amounted to CHF 409,509 and CHF 494,723, respectively, and 4,095,092 and 4,947,232 fully paid registered shares with a nominal value of CHF 0.10 each, respectively. Subscription rights, as well as advance subscription rights of the shareholders are excluded. The issuance of new shares or respective option rights to employees is subject to one or more regulations to be issued by the Board and taking into account performance, functions, levels of responsibility and criteria of profitability. New shares or option rights may be issued to employees at a price lower than that quoted on the stock exchange.

c) Additional paid-in capital

This reserve is not ordinarily available for distribution. However, as of January 1, 2011, a Swiss tax regulation based on the Swiss Corporate Tax Reform II became effective, allowing for payments free of Swiss withholding tax to shareholders out of the capital contribution reserve, created out of additional paid-in capital. Therefore, amounts qualifying under this regulation can be paid out of additional paid-in capital. As of December 31, 2020, the general capital contribution reserve amounted to CHF 252 million.

d) Treasury shares

Table 19.2

Treasury shares

number of shares, as of December 31	**2020**	2019	2018
Treasury shares	1,964,106	1,549,714	2,342,432
Treasury shares (repurchased under the public share buy-back program for cancellation purposes, see f))	–	–	1,740,000
Total Treasury shares	**1,964,106**	**1,549,714**	**4,082,432**

Treasury shares comprise shares acquired in the market as well as shares repurchased via the 2018 public share buy-back program and cancelled in June 2019 (see f) below).

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e) Dividends

The dividend of CHF 20 per share was paid out of the available earnings on April 7, 2020, as approved at the Annual General Meeting on April 1, 2020. The difference between the respective amounts of the dividend at transaction day exchange rates amounting to USD 3.1 billion and at historical exchange rates are reflected in the cumulative foreign currency translation adjustment.

The dividend of CHF 19 per share was paid out of the available earnings on April 9, 2019, as approved at the Annual General Meeting on April 3, 2019. The difference between the respective amounts of the dividend at transaction day exchange rates amounting to USD 2.8 billion and at historical exchange rates are reflected in the cumulative foreign currency translation adjustment.

f) Share buy-back program

During 2018, Zurich Insurance Group Ltd had repurchased shares via a public share buy-back program for cancellation purposes. The reduction of the share capital of Zurich Insurance Group Ltd from 151,348,027 to 149,608,027 fully paid registered shares with a nominal value of CHF 0.10 each through cancellation of the repurchased 1,740,000 own shares was approved by the Annual General Meeting of April 3, 2019 and completed in June 2019.

g) Earnings per share

Table 19.3

Earnings per share

for the years ended December 31	Net income attributable to common shareholders (in USD millions)	Weighted average number of shares	Per share (USD)	Per share (CHF)[1]
2020				
Basic earnings per share	**3,834**	**148,304,623**	**25.85**	**24.24**
Effect of potentially dilutive shares related to share-based compensation plans		1,662,328	(0.29)	(0.26)
Diluted earnings per share	**3,834**	**149,966,951**	**25.56**	**23.98**
2019				
Basic earnings per share	**4,147**	**148,033,715**	**28.01**	**27.84**
Effect of potentially dilutive shares related to share-based compensation plans		1,739,334	(0.33)	(0.32)
Diluted earnings per share	**4,147**	**149,773,049**	**27.69**	**27.51**

1 The translation from U.S dollars to Swiss francs is shown for information purposes only and has been calculated at the Group's average exchange rates for the years ended December 31, 2020 and 2019.

Basic earnings per share is computed by dividing net income attributable to shareholders by the weighted average number of shares outstanding for the year, excluding the weighted average number of shares held as treasury shares. Diluted earnings per share reflects the effect of potentially dilutive shares.

20. Employee benefits

The Group had 52'930 and 54'030 employees (full-time equivalents) as of December 31, 2020 and 2019, respectively. Personnel and other related costs incurred were USD 6.3 billion and USD 6.2 billion for the years ended December 31, 2020 and 2019, respectively, including wages, salaries and social security contributions of USD 5.7 billion and USD 5.5 billion respectively.

The Group operates a number of retirement benefit arrangements for employees. Historically, the majority of employees belonged to defined benefit pension plans and some will still have past service benefits accrued in those plans.

However, the majority of employees now accrue benefits under defined contribution plans, which provide benefits equal to the amounts contributed by both the employer and the employee plus investment returns.

Certain of the Group's operating companies also provide post-employment benefit plans covering medical care and life insurance, mainly in the U.S. Eligibility for these plans is generally based on completion of a specified period of eligible service and reaching a specified age. The plans typically pay a stated percentage of medical expenses subject to deductibles and other factors. The cost of post-employment benefits is accrued during the employees' service periods.

The Group Pensions Committee is responsible for developing, reviewing and advising on the Group governance framework in matters related to pension and post-employment benefit arrangements. It provides oversight and guidance in the areas of market, demographic and reputational risk. It reports to and makes recommendations to the Group Balance Sheet Committee on material pension-related matters and reports regularly to the Remuneration Committee. The Group Pensions Committee provides a point of focus and co-ordination on the topic of pensions and post-retirement benefits at Group level for the supervision and exercise of company powers and obligations in relation to pension and post-retirement benefit plans.

Funding and asset allocation is subject to local legal and regulatory requirements.

a) Defined benefit pension plans

The largest defined benefit obligations are in the pension plans in Switzerland, the UK, the U.S. and Germany, which together comprise over 90 percent of the Group's total defined benefit obligation. The remaining plans in other countries are not individually significant, therefore no separate disclosure is provided.

Certain Group companies provide defined benefit pension plans, some of which provide benefits on retirement, death or disability related to employees' service periods and pensionable earnings. Others provide cash balance plans where the participants receive the benefit of the accumulated employer and employee contributions (where paid) together with additional cash credits in line with the rules of the plan.

Most of the Group's defined benefit pension plans are funded through contributions by the Group and, in some cases also by employees, to investment vehicles managed by trusts or foundations independent of the Group's finances, or by management committees with fiduciary responsibilities. Where a trust or foundation exists, it is required by law or by articles of association to act in the interests of the fund and of all relevant beneficiaries to the plan, which can also include the sponsoring company, and is responsible for the investment policy with regard to the assets of the fund. The trust/foundation board or committee is usually composed of representatives from both employers and plan members. Independent actuarial valuations for the plans are performed as required. It is the Group's general principle that plans are appropriately funded in accordance with local pension regulations in each country.

The pension plans typically expose the company to risks such as interest rate, price inflation, longevity and salary. To the extent that pension plans are funded, the assets held mitigate some of the liability risk but introduce some investment risk.

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The overall investment policy and strategy for the Group's defined benefit pension plans is to achieve an investment return which, together with contributions, targets having sufficient assets to pay pension benefits as they fall due while also mitigating the various risks in the plans. The actual asset allocation is determined by reference to current and expected economic and market conditions and in consideration of specific asset class risk in the risk profile. The Group has a governance framework to ensure the trust/foundation board or committee considers how the asset investment strategy correlates with the maturity profile of the plan liabilities and the potential impact on the funding status of the plans, including short-term liquidity requirements. The investment strategies for each pension plan are independently determined by the governance body in each country, with oversight by the Group Pensions Committee. The pension assets are invested in diversified portfolios across geographical regions and asset classes to ensure diversified returns, also taking into account local pension laws. The investment strategies aim to mitigate asset-liability mismatches in the long run. In recent years, the integration of environmental, social and governance (ESG) factors has become a significant element of Zurich's pension plans' investment decision making. Pension plans will continue progressing on their responsible investment journey, leveraging Zurich's expertise and leadership while being cognizant of their fiduciary responsibility.

For post-employment defined benefit plans, total contributions to funded plans and benefits paid directly by the Group were USD 268 million for 2020 compared with USD 282 million for 2019. The estimated total for 2021 is USD 325 million (actual amount may differ).

Swiss pension plan

The main plan provides benefits that exceed the minimum benefit requirements under Swiss pension law. It provides a lifetime pension to members based on their accrued retirement savings in the basic and additional accounts multiplied by the applicable conversion rate at the normal retirement age of 65 (age 62 for Executive Staff). Participants can draw retirement benefits early from age 60 (age 58 for Executive Staff). Alternatively, the benefit can be taken as a lump sum payment at retirement. In addition, at retirement, the plan pays a one-off cash sum settlement equal to the accrued retirement savings in the capital account. Contributions to the plan are paid by the employees and the employer, both for retirement savings and to finance risk benefits paid out in the event of death and disability. The accumulated balance on the pension account is based on the employee and employer pension contributions and interest accrued. The interest rate credited is defined annually by the plan's Board of Trustees which is responsible for the governance of the plan. The trustees review the Pension Plan's funding status regularly as well as the technical interest rate and the conversion rates. The conversion rate at age 65 is currently being phased down to 5 percent until 2023 to align it more closely with the low interest rate environment and increased life expectancy. In 2018, both the employer and employee savings contributions were increased. The insured salary was increased by reducing the coordination deduction. The flexibility of the plan was improved by introducing three levels of savings. Top-up payments from the company were introduced to those members' pension accounts which had been part of the plan in 2017 and were affected by the changes. For them, this ensures that expected benefits at normal retirement age will be at least equal to 98.5 percent of their pensions expectations under the previous conversion rates. The top up payments will be made until 2023.

Although the Swiss plan operates like a defined contribution plan under local regulations, it is accounted for as a defined benefit pension plan under IAS 19 'Employee Benefits' because of the need to accrue a minimum level of interest on the mandatory part of the pension accounts and the payment of a lifetime pension at a fixed conversion rate under the plan rules.

Actuarial valuations are completed annually and if the plan becomes underfunded under local regulations, options for dealing with this include the Group paying additional contributions into the plan and/or reducing future benefits. At present, the plan is sufficiently funded, meaning that no additional contributions into the plans are expected to be required in the next year. The investment strategy of the Swiss plan is constrained by Swiss pension law including regulations related to diversification of plan assets. Under IAS 19, volatility arises in the Swiss pension plan net asset because the fair value of the plan assets is not directly correlated to movements in the value of the plan's defined benefit obligation in the short-term.

UK pension plan

The major UK pension plan is a hybrid arrangement and defined benefits entitlements accrued to December 31, 2015 increase in line with salary increases. Normal retirement age for the plan is 60. The plan is split into distinct sections and the two defined benefit sections are closed to new entrants and, with effect from January 1, 2016, to future benefit accrual. All employees now participate in a defined contribution section within the same trust. The notes that follow consider only the defined benefit sections. The UK Pension Trustee Board is responsible for the governance of the plan. The employer contributions are determined based on regular triennial actuarial valuations which are conducted using assumptions agreed by the Trustee Board and the sponsoring company. A local statutory valuation was carried out at an effective date of June 30, 2019 and was finalized in September 2020. This valuation disclosed a funding surplus of USD 86 million (GBP 63 million) after taking into account the value of the asset-backed funding arrangement established in 2014.

The ongoing funding of the plan is closely monitored by the Trustee Board and a dedicated funding committee is made up of representatives from the Trustee Board and the Group. The plan rules and UK pension legislation set out maximum levels of inflationary increases applied to plan benefits. The plan assets are invested in diversified classes of assets.

U.S. pension plans

There are two major pension plans in the U.S., the Zurich North America (ZNA) pension plan and the Farmers Group, Inc. (FGI) pension plan. Both plans are funded entirely by the participating employers. The ZNA plan is a cash balance and the FGI pension plan utilizes a cash balance pension formula for benefits accruing after January 1, 2009, except with respect to certain grandfathered participants who retained a final average pay formula. Under a cash balance pension formula, an amount is credited to the cash balance account each quarter, determined by an employee's age, service and their level of earnings up to and above the social security taxable wage base. The minimum annual interest credited on the account balance is 5 percent. The cash balance account is available from age 65, or age 55 with five years of service. The benefit can be taken as a monthly annuity or as a lump sum. Both the ZNA plan and the FGI pension plan have fiduciaries as required under local pension laws. The fiduciaries are responsible for the governance of the plans. Actuarial valuations are completed regularly. The annual employer minimum required contributions are equal to expected expenses paid from the plan each year, plus a rolling amortization of any prior underfunding.

The ZNA and FGI plans have been frozen with effect from December 31, 2018. ZNA and FGI employees with a cash balance account will continue to earn interest credits on their existing cash balance account balance after the freeze date and will continue to earn eligibility service used to determine vesting and early retirement eligibility. FGI employees participating in the final average pay formula will continue to earn eligibility service used to determine vesting and the percentage of pension benefit payable for early retirement before normal retirement age of 65. ZNA and FGI employees earn only defined contribution retirement benefits with effect from January 1, 2019. In conjunction with the change in the pension plan, ZNA and FGI employees receive an additional company contribution within their defined contribution plan.

German pension plans

There are a number of legacy defined benefit plans in Germany, most of which were set up under works council agreements. Contributions to support the pension commitments are made to a contractual trust arrangement. A separate arrangement was also established in 2010 to provide for retirement obligations that were in payment at that time. Consideration is given from time to time based on the fiscal efficiency of adding recent retirees to this arrangement and to adding assets to the contractual trust.

The defined benefit plans provide benefits on either a final salary, career average salary or a cash balance basis. New entrants participate in a cash balance arrangement, which has the characteristics of a defined contribution arrangement, with a lump sum paid at retirement and a capital guarantee on members' balances, which mirrors the capital guarantee given in a conventional life insurance arrangement in Germany.

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Tables 20.1a and 20.1b set out the reconciliation of the defined benefit obligation and plan assets for the Group's post-employment defined benefit plans.

Movement in defined benefit obligation and fair value of assets – current period

Table 20.1a

in USD millions	Defined benefit obligation	Fair value of assets	Asset ceiling	Net defined benefit asset/ (liability)
As of January 1, 2020	(22,838)	21,071	(436)	(2,203)
Net post-employment benefit (expense)/income:				
Current service cost	(168)	–	–	(168)
Interest (expense)/income	(315)	275	–	(40)
Settlements gains/(losses)	6	(5)	–	1
Past service (cost)/credit	(3)	–	–	(3)
Net post-employment benefit (expense)/income	(480)	269	–	(210)
Remeasurement effects included in other comprehensive income:				
Return on plan assets excluding interest income	–	2,271	–	2,271
Experience gains/(losses)	(174)	–	–	(174)
Actuarial gains/(losses) arising from changes in demographic assumptions	(50)	–	–	(50)
Actuarial gains/(losses) arising from changes in financial assumptions	(2,027)	–	–	(2,027)
Change in asset ceiling	–	–	(30)	(30)
Remeasurement effects included in other comprehensive income	(2,251)	2,271	(30)	(10)
Employer contributions	–	233	–	233
Employer contributions paid to meet benefits directly	35	–	–	35
Plan participants' contributions	(71)	71	–	–
Payments from the plan (incl. settlements)	820	(820)	–	–
Foreign currency translation effects	(1,154)	1,141	–	(14)
As of December 31, 2020	**(25,939)**	**24,236**	**(467)**	**(2,170)**
of which: Assets for defined pension plans				630
of which: Liabilities for defined pension plans				(2,800)

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Movement in defined benefit obligation and fair value of assets – prior period

Table 20.1b

in USD millions	Defined benefit obligation	Fair value of assets	Asset ceiling	Net defined benefit asset/ (liability)
As of January 1, 2019	(20,593)	18,447	(113)	(2,260)
Net post-employment benefit (expense)/income:				
Current service cost	(138)	–	–	(138)
Interest (expense)/income	(432)	373	–	(59)
Settlements gains/(losses)	29	(24)	–	5
Past service (cost)/credit	(7)	–	–	(7)
Net post-employment benefit (expense)/income	(547)	349	–	(199)
Remeasurement effects included in other comprehensive income:				
Return on plan assets excluding interest income	–	2,350	–	2,350
Experience gains/(losses)	(89)	–	–	(89)
Actuarial gains/(losses) arising from changes in demographic assumptions	404	–	–	404
Actuarial gains/(losses) arising from changes in financial assumptions	(2,308)	–	–	(2,308)
Change in asset ceiling	–	–	(323)	(323)
Remeasurement effects included in other comprehensive income	(1,992)	2,350	(323)	35
Employer contributions	–	252	–	252
Employer contributions paid to meet benefits directly	35	–	–	35
Plan participants' contributions	(65)	65	–	–
Payments from the plan (incl. settlements)	828	(828)	–	–
Foreign currency translation effects	(503)	437	–	(67)
As of December 31, 2019	**(22,838)**	**21,071**	**(436)**	**(2,203)**
of which: Assets for defined pension plans				316
of which: Liabilities for defined pension plans				(2,519)

Net post-employment benefit (expense)/income is recognized in other employee benefits, which is included within administrative and other operating expense.

Post-employment benefits are long-term by nature. However, short-term variations between long-term actuarial assumptions and actual experience may be positive or negative, resulting in actuarial gains or losses, which are recognized in full in the period in which they occur and are included within other comprehensive income.

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Table 20.2 provides a breakdown of plan assets by asset class.

Table 20.2

Fair value of assets held in funded defined benefit pension plans

in USD millions, as of December 31	2020				2019			
	Quoted in active markets	**Other**	**Total**	**% of Total**	Quoted in active markets	Other	Total	% of Total
Cash and cash equivalents	581	–	581	2%	432	–	432	2%
Equity securities	5,538	203	5,742	24%	4,629	159	4,788	23%
Debt securities	91	17,822	17,913	74%	91	15,098	15,190	72%
Investment property	–	1,742	1,742	7%	–	1,495	1,495	7%
Mortgage loans	–	397	397	2%	–	325	325	2%
Other assets[1]	–	(2,139)	(2,139)	(9%)	–	(1,158)	(1,158)	(5%)
Total	**6,211**	**18,025**	**24,236**	**100%**	**5,152**	**15,919**	**21,071**	**100%**

1 In 2020, the Group changed presentation of amounts payable under repurchase agreements in table 20.2. These payables are disclosed as other assets, in the consolidated financial statements of 2019 they were disclosed as cash and cash equivalents. Prior year figures have been restated for comparative purposes.

For the classification of pension assets the Group follows the same principles as outlined in note 23 (Fair value measurement). Assets meeting the criteria of Level 1 are generally considered quoted in active markets, while assets meeting the criteria of Level 2 or Level 3 are generally considered in other assets.

Tables 20.3a and 20.3b provide a breakdown of the key information included in tables 20.1a and 20.1b for the main countries for the years ended December 31, 2020 and 2019, respectively.

Table 20.3a

Key information by main country – current period

in USD millions, as of December 31, 2020	**Switzerland**	**United Kingdom**	**United States**	**Germany**	**Other**	**Total**
Defined benefit obligation	(5,643)	(13,257)	(3,968)	(1,605)	(1,465)	(25,939)
Fair value of plan assets	6,274	11,371	3,699	1,604	1,287	24,236
Impact of asset ceiling	(412)	(55)	–	–	–	(467)
Net defined benefit asset/(liability)	**219**	**(1,941)**	**(269)**	**(1)**	**(178)**	**(2,170)**
of which: Assets for defined pension plans	232	–	207	147	44	630
of which: Liabilities for defined pension plans	(13)	(1,941)	(476)	(148)	(222)	(2,800)
Net post-employment benefit (expense)/income	(96)	(44)	(22)	(21)	(29)	(210)

Table 20.3b

Key information by main country – prior period

in USD millions, as of December 31, 2019	Switzerland	United Kingdom	United States	Germany	Other	Total
Defined benefit obligation	(4,843)	(11,608)	(3,707)	(1,430)	(1,250)	(22,838)
Fair value of plan assets	5,442	9,787	3,386	1,370	1,086	21,071
Impact of asset ceiling	(407)	(30)	–	–	–	(436)
Net defined benefit asset/(liability)	**192**	**(1,851)**	**(321)**	**(60)**	**(164)**	**(2,203)**
of which: Assets for defined pension plans	203	–	–	81	31	316
of which: Liabilities for defined pension plans	(11)	(1,851)	(321)	(141)	(195)	(2,519)
Net post-employment benefit (expense)/income[1]	(67)	(61)	(34)	(21)	(15)	(199)

1 In 2020 the Group changed the presentation of a past service credit resulting in USD 5 million difference in column 'Other' compared to the 2019 consolidated financial statements.

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Table 20.4 shows the key financial assumptions used to calculate the Group's post-employment defined benefit obligations and the Group's post-employment benefit expenses.

Table 20.4

Key financial assumptions used for major plans

as of December 31	2020				2019			
	Switzerland	United Kingdom	United States	Germany	Switzerland	United Kingdom	United States	Germany
Discount rate	0.0%	1.3%	2.5%	0.6%	0.2%	1.9%	3.2%	0.9%
Inflation rate (CPI)[1]	1.1%	1.9%	2.2%	1.4%	1.2%	1.9%	2.0%	1.4%
Salary increase rate	1.1%	2.8%	4.7%	2.7%	1.2%	2.8%	4.5%	2.7%
Expected future pension increases	0.1%	3.4%	n/a	1.4%	0.1%	3.5%	n/a	1.4%
Interest crediting rate	0.3%	n/a	5.0%	n/a	0.3%	n/a	5.0%	n/a

1 In the UK part of the liability is linked to the inflation measure of the Retail Price Index (RPI), which is assumed to be 1.0 percent higher than the Consumer Price Index (CPI) as of both December 31, 2020 and 2019. As RPI is expected to converge with CPI no earlier than in 2030, the RPI assumption for the UK was kept 1.0 percent higher than CPI for durations up to and including 2029 and the same as CPI for 2030 onwards as of December 31, 2020 (1.0 percent higher than CPI at all durations as of December 31, 2019).

Tables 20.5a and 20.5b set out the life expectancies used in the valuation of the Group's major plans. The mortality assumptions in each country have been based on mortality tables in accordance with typical practice in that country.

Table 20.5a

Mortality tables and life expectancies for major plans – current period

in years, as of December 31, 2020		Life expectancy at age 65 for a male currently		Life expectancy at age 65 for a female currently	
		aged 65	aged 45	aged 65	aged 45
Country	Mortality table for major plans				
Switzerland	BVG 2015 with generational projections according to CMI model adapted to Swiss mortality with a long-term trend rate of 1.25%	21.70	23.90	23.70	25.70
United Kingdom	SAPS Series 3 with CMI_2019 projection with plan specific adjustments	21.93	22.93	23.92	25.12
United States	Pri-2012 with MP-2020 Generational projection and white collar adjustment	21.74	23.12	23.14	24.49
Germany	Heubeck 2018G	20.33	23.10	23.81	26.04

Table 20.5b

Mortality tables and life expectancies for major plans – prior period

in years, as of December 31, 2019		Life expectancy at age 65 for a male currently		Life expectancy at age 65 for a female currently	
		aged 65	aged 45	aged 65	aged 45
Country	Mortality table for major plans				
Switzerland	BVG 2015 with generational projections according to CMI model adapted to Swiss mortality with a long-term trend rate of 1.25%	21.60	23.20	23.60	25.10
United Kingdom	113% of S3PMA Light (males) or 100% of S3PFA (females) with CMI_2018 projection using a long-term rate of 1.0%	21.83	22.83	23.73	24.93
	Pri-2012 with MP-2019 Generational projection and white collar adjustment	21.99	23.51	23.40	24.94
United States	RP 2014 with plan specific adjustments	21.30	22.26	23.31	24.21
Germany	Heubeck 2018G	20.18	22.96	23.69	25.93

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Table 20.6 shows the expected benefits to be paid under the Group's major plans in the future. It should be noted that actual amounts may vary from expected amounts. Therefore, future benefit payments may differ from the amounts shown.

Table 20.6

Maturity profile of future benefit payments for major plans

as of December 31	2020				2019			
	Switzerland	United Kingdom	United States	Germany	Switzerland	United Kingdom	United States	Germany
Duration of the defined benefit obligation (in years)	14.8	20.2	12.3	13.5	15.3	19.8	12.5	14.2
Maturity analysis of benefits expected to be paid (in USD millions):								
< 1 year	253	353	298	83	221	343	227	49
1 to 5 years	1,049	1,634	859	264	917	1,449	892	231
5 to 10 years	1,283	2,572	1,046	335	1,117	2,340	1,065	297

Table 20.7 sets out the sensitivity of the defined benefit obligation to changes in key actuarial assumptions. The effect on the defined benefit obligation shown allows for an alternative value for each assumption while the other actuarial assumptions remain unchanged. While this table illustrates the overall impact on the defined benefit obligation of the changes shown, the significance of the impact and the range of reasonably possible alternative assumptions may differ between the different plans that comprise the overall defined benefit obligation. In particular, the plans differ in benefit design, currency and average term, meaning that different assumptions have different levels of significance for different plans. The sensitivity analysis is intended to illustrate the inherent uncertainty in the evaluation of the defined benefit obligation under market conditions at the measurement date. Its results cannot be extrapolated due to non-linear effects that changes in the key actuarial assumptions may have on the overall defined benefit obligation. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Group's view of expected future changes in the defined benefit obligation. Any management actions that may be taken to mitigate the inherent risks in the post-employment defined benefit plans are not reflected in this analysis.

Table 20.7

Sensitivity analysis of significant actuarial assumptions

	Defined benefit obligation[1]	
in USD millions, as of December 31	2020	2019
Discount rate +50 bps	2,093	1,824
Discount rate –50 bps	(2,395)	(2,093)
Salary increase rate +50 bps	(87)	(73)
Salary decrease rate –50 bps	88	70
Price inflation increase rate +50 bps	(1,078)	(1,038)
Price inflation decrease rate –50 bps	961	903
Cash balance interest credit rate +50 bps	(93)	(76)
Cash balance interest credit rate –50 bps	89	72
Mortality 10% increase in life expectancy	(2,445)	(2,162)
Mortality 10% decrease in life expectancy	2,480	2,086

1 A negative number indicates an increase and a positive number indicates a decrease in the defined benefit obligation.

b) Defined contribution pension plans

Certain of the Group's companies sponsor defined contribution pension plans. Eligibility for participation in such plans is either immediate on commencement of employment or based on completion of a specified period of continuous service. The plans provide for voluntary contributions by employees and contributions by the employer which typically range from 2 percent to 12 percent of annual pensionable salary, depending on a number of factors. The Group's contributions under these plans amounted to USD 279 million and USD 283 million for the years ended December 31, 2020 and 2019, respectively.

21. Share-based compensation and cash incentive plans

The Group has adopted various share-based compensation and cash incentive plans to attract, retain and motivate executives and employees. The plans are designed to reward employees for their contribution to the performance of the Group and to encourage employee share ownership. Share-based compensation plans include plans under which shares and options to purchase shares, based on the performance of the businesses, can be awarded. Share-based compensation plans are based on the provision of Zurich Insurance Group Ltd shares.

a) Cash incentive plans

Various businesses throughout the Group operate short-term incentive programs for executives, management and, in some cases, for employees of that business. Awards are made in cash, based on the accomplishment of both organizational and individual performance objectives. The expense recognized for these cash incentive plans amounted to USD 532 million and USD 511 million for the years ended December 31, 2020 and 2019, respectively.

b) Share-based compensation plans for employees and executives

The Group encourages employees to own shares in Zurich Insurance Group Ltd and has set up a framework based on the implementation of performance share programs. Actual plans are tailored to meet local market requirements.

The cost of share-based payments depends on various factors, including achievement of targets, and are subject to the discretion of the Remuneration Committee and the Board. Costs may therefore vary significantly from year to year. The net amounts of USD 187 million and USD 229 million for the years ended December 31, 2020 and 2019, respectively, reflect all aspects of share-based compensation, including adjustments made during the year.

The explanations below provide a more detailed overview of the main plans of the Group.

Employee share plans

Share Incentive Plan for employees in the UK

The Group established an Inland Revenue approved Share Incentive Plan and launched the Partnership Shares element of this plan in 2003, which enabled participating employees to make monthly purchases of Zurich Insurance Group Ltd shares at the prevailing market price from their gross earnings. This plan was terminated in 2007. There were 25 and 34 participants in the plan as of December 31, 2020 and 2019, respectively.

A revised Partnership Share Scheme was launched in March 2013. Participants benefit from purchasing shares by making deductions from gross salary up to a maximum of GBP 1,800 or 10 percent of their year-to-date earnings. There were 690 and 658 active participants in the plan as of December 31, 2020 and 2019, respectively.

The Group also operates a profit-sharing element of the Share Incentive Plan (Reward Shares) which was launched in 2004 with annual share allocations being made in May each year subject to business performance. The awards are based on business operating profit (BOP) after tax for the year achieved by the business unit of each participating employee. Individual awards are subject to a maximum of 5 percent of a participant's base salary (before any flexible benefit adjustments) with an overall maximum of GBP 3,600. The total number of participating employees in Reward Shares as of December 31, 2020 and 2019 was 4,280 and 2,612, respectively.

A Dividend Shares scheme was launched in 2014 which allows employees to reinvest their dividends from Partnership Shares 3 and Reward Shares 3. As of December 31, 2020 and 2019, there were 522 and 439 participants in the scheme, respectively.

Share Incentive Plan for employees in Switzerland

Under this plan, employees have the option to acquire sales-restricted shares at a 30 percent discount to the market value. The maximum permitted investment in shares is equivalent to CHF 3,500 per employee per annum. During 2020, 4,145 employees were eligible to participate in the share incentive plan, compared with 4,096 in 2019. For the years ended December 31, 2020 and 2019, 2,080 and 1,761 employees, respectively, purchased shares under the 2019 and 2020 share plans.

The Group Long-Term Incentive Plan (LTIP)

Participants in this plan are allocated a target number of performance shares as notional shares of Zurich Insurance Group Ltd in April each year (target shares). The number of target shares is calculated as a percentage of annual base salary of each participant.

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Target shares allocated in 2020 will vest after a period of three years following the year of allocation (three year cliff vesting), with the actual level of vesting between 0 percent and 200 percent of the target shares allocated, depending on the achievement of pre-defined performance criteria. The performance criteria used to determine the level of vesting are the Group's return on shareholders' equity (ROE), the position of its relative total shareholder return (TSR) measured against an international peer group of insurance companies, and the achievement of cash remittance targets. The three pre-defined performance criteria are each assessed over a period of three consecutive financial years starting in the year of allocation and have an equal weighting. One half of the shares that actually vest are sales-restricted for a further three years for members of the Executive Committee. To further align the participants with the interests of the shareholders, effective from January 1, 2014, the target shares are credited with dividend equivalent shares during the vesting period to compensate participants in LTIP for dividends paid to shareholders. As of December 31, 2020 and 2019 there were 1,162 and 1,133 participants in this plan, respectively.

Table 21

Shares allocated during the period

for the years ended December 31	Number		Fair value at the allocation date (in CHF)	
	2020	2019	**2020**	2019
Shares allocated during the period	510,046	517,101	333	333

The shares allocated each year are based on target under the Group's LTIP. The level of vesting will depend on the level of achievements in the performance criteria. If the vesting level is different to target, the actual cost of the share-based payments is adjusted accordingly in the year when the level of vesting is determined.

22. Commitments and contingencies, legal proceedings and regulatory investigations

The Group has provided contractual commitments and financial guarantees to external parties, associates and joint ventures as well as partnerships. These arrangements include commitments under certain conditions to make liquidity advances to cover default principal and interest payments, make capital contributions or provide equity financing.

Quantifiable commitments and contingencies

Table 22.1

in USD millions, as of December 31	**2020**	2019
Remaining commitments under investment agreements	3,695	1,398
Guarantees and letters of credit[1]	974	1,003
Undrawn loan commitments	1	1
Other commitments and contingent liabilities[2,3]	306	732

1 Guarantee features embedded in life insurance products are not included.
2 Includes USD 95 million future cash outflows, that the Group as lessee is potentially exposed to which are not reflected in the measurement of lease liabilities in the balance sheet.
3 Of which USD 47 million represents a lease agreement in UK commencing in 2022 (sale and leaseback of a new building).

Commitments under investment agreements

The Group has committed to contribute capital to third parties that engage in making investments in direct private equity, private equity funds and real estate. Commitments may be called by the counterparty over the term of the investment (generally three to five years) and must be funded by the Group on a timely basis.

Guarantees and letters of credit

In 2020 and 2019, USD 649 million and USD 629 million, respectively, related to guarantees in the aggregate amount of GBP 475 million which were provided to the directors of a wholly owned subsidiary in connection with the repatriation of capital. These guarantees have no expiry date.

The Group knows of no event of default that would require it to satisfy financial guarantees. Irrevocable letters of credit have been issued to secure certain reinsurance contracts.

The Group is active in numerous countries where insurance guarantee funds exist. The design of such funds varies from jurisdiction to jurisdiction. In some, funding is based on premiums written, in others the Group may be called upon to contribute to such funds in case of a failure of another market participant. In addition, in some jurisdictions the amount of contribution may be limited, for example, to a percentage of the net underwriting reserve net of payments already made.

The Group carries certain contingencies in the ordinary course of business in connection with the sale of its companies and businesses. These are primarily in the form of indemnification obligations provided to the acquirer in a transaction in which a Group company is the seller. They vary in scope and duration by counterparty and generally are intended to shift the potential risk of certain unquantifiable and unknown loss contingencies from the acquirer to the seller.

Zurich Insurance Group Ltd has provided unlimited guarantees in support of entities belonging to the Zurich Capital Markets group of companies.

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Other contingent liabilities

The Group has received notices from various tax authorities asserting deficiencies in taxes for various years. The Group is of the view that the ultimate outcome of these reviews will not materially affect the Group's consolidated financial position.

The Group has commitments to provide collateral on certain contracts in the event of a financial strength downgrading for Zurich Insurance Company Ltd from the current AA– by Standard & Poor's. Should the rating by Standard & Poor's fall to A+, then the additional collateral based on information available amounts to nil as of both December 31, 2019 and 2020.

In common with other insurance companies, the Group is mindful of the trend toward enhanced consumer protection. There is significant uncertainty about the ultimate cost this trend might have on our business. The main areas of uncertainty concern court decisions as well as the volume of potential customer complaints related to sales activities and withdrawal rights, and their respective individual assessments.

Pledged assets

The majority of assets pledged to secure the Group's liabilities relate to debt securities pledged under short-term sale and repurchase agreements. The total amount of pledged financial assets including the securities under short-term sale and repurchase agreements amounted to USD 1.5 billion and USD 1.4 billion as of December 31, 2020 and 2019, respectively.

Terms and conditions associated with the financial assets pledged to secure the Group's liabilities are usual and standard in the markets in which the underlying agreements were executed.

Legal, compliance and regulatory developments

In recent years there has been an increase in the number of legislative initiatives that require information gathering and tax reporting regarding the Group's customers and their contracts, including the U.S. Foreign Account Tax Compliance Act (FATCA) and the expected introduction of other automatic tax information exchange regimes based on the Common Reporting Standard (CRS). The Group's compliance activities in this area could result in higher compliance costs, remedial actions and other related expenses for its life insurance, savings and pension business. There has also been increased scrutiny by various tax and law enforcement officials regarding cross-border business activities, including in particular by U.S. government authorities looking into activities of U.S. taxpayers with investments held outside the U.S. and activities of non-U.S. financial institutions that hold such investments.

The Group, on its own initiative, undertook an internal review of the life insurance, savings and pension business sold by its non-U.S. operating companies with relevant cross-border business to customers with a nexus to the U.S. The Group engaged outside counsel and other advisors to assist in this review, which was focused on assessing compliance with relevant U.S. tax laws. The review confirmed that the Group's cross-border business with U.S. persons was very limited and of a legacy nature, with the large majority of sales having occurred more than a decade ago. The review also confirmed that the Group's U.S. operating companies were not involved in or connected to those activities.

The Group has voluntarily disclosed the results of the review and the regulatory issues presented by sales to U.S. residents to the Swiss Financial Market Supervisory Authority (FINMA), the U.S. Department of Justice (DOJ) and other authorities. The Group is cooperating with these authorities.

On April 25, 2019, the DOJ announced that Zurich Life Insurance Company Ltd (ZLIC) and Zurich International Life Limited (ZILL) entered into a non-prosecution agreement (NPA) with the DOJ, which memorializes the DOJ's decision not to prosecute these entities for any U.S. tax-related offenses in connection with legacy cross-border sales to U.S. persons. Under the terms of the NPA, ZLIC and ZILL agreed to pay USD 5 million to the U.S. Treasury and to comply with certain specified conditions during the four-year term of the NPA.

This resolution has not had and will not have an adverse effect on the Group's operating results or consolidated financial condition.

Consolidated financial statements (continued)

Legal proceedings and regulatory investigations

The Group's business is subject to extensive supervision, and the Group is in regular contact with various regulatory authorities. The Group is continuously involved in legal proceedings, claims and regulatory investigations arising, for the most part, in the ordinary course of its business operations.

While the Group believes that it is not a party to, nor are any of its subsidiaries the subject of, any unresolved current legal proceedings, claims, litigation and investigations that will have a material adverse effect on the Group's consolidated financial condition, proceedings are inherently unpredictable, and it is possible that the outcome of any proceeding could have a material impact on results of operations in the particular reporting period in which it is resolved.

23. Fair value measurement

To measure fair value, the Group gives the highest priority to quoted and unadjusted prices in active markets. In the absence of quoted prices, fair values are calculated through valuation techniques, making the maximum use of relevant observable market data inputs. Whenever observable parameters are not available, the inputs used to derive the fair value are based on common market assumptions that market participants would use when pricing assets and liabilities. Depending on the observability of prices and inputs to valuation techniques, the Group classifies instruments measured at fair value within the following three levels (the fair value hierarchy):

Level 1 – includes assets and liabilities for which fair values are determined directly from unadjusted current quoted prices resulting from orderly transactions in active markets for identical assets/liabilities.

Level 2 – includes assets and liabilities for which fair values are determined using significant inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable market inputs.

Level 3 – includes assets and liabilities for which fair values are determined using valuation techniques with at least one significant input not being based on observable market data. This approach is used only in circumstances when there is little, if any, market activity for a certain instrument, and the Group is required to rely on third-party providers or develop internal valuation inputs based on the best information available about the assumptions that market participants would use when pricing the asset or liability.

The governance framework and oversight of the Group's standards and procedures regarding the valuation of financial instruments measured at fair value lies within the responsibility of Group Risk Management, Group Investment Management, Treasury Capital Management and Group Finance. Specialists from these departments ensure the adequacy of valuation models, approve methodologies and sources to derive model input parameters, provide oversight over the selection of third-party pricing providers, and on a semi-annual basis review the classification within the fair value hierarchy of the financial instruments in scope.

The Group makes extensive use of third-party pricing providers to determine the fair values of its available-for-sale and fair value through profit or loss financial instruments, and only in rare cases places reliance on prices that are derived from internal models. Investment accounting, operations and process functions, are independent from those responsible for buying and selling the assets, and are responsible for receiving, challenging and verifying values provided by third-party pricing providers to ensure that fair values are reliable, as well as ensuring compliance with applicable accounting and valuation policies. The quality control procedures used depend on the nature and complexity of the invested assets. They include variance and stale price analysis, and comparisons with fair values of similar instruments and with alternative values obtained from asset managers and brokers.

Consolidated financial statements (continued)

Table 23.1 compares the fair value with the carrying value of financial assets and financial liabilities. Certain financial instruments are not included in this table as their carrying value is a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, obligations to repurchase securities, deposits made under assumed reinsurance contracts, deposits received under ceded reinsurance contracts and other financial assets and liabilities. This table excludes financial assets and financial liabilities related to unit-linked contracts.

Table 23.1

Fair value and carrying value of financial assets and financial liabilities

in USD millions, as of	Total fair value		Total carrying value	
	2020	2019	**2020**	2019
Available-for-sale securities				
Equity securities	14,779	13,905	14,779	13,905
Debt securities	152,330	138,676	152,330	138,676
Total available-for-sale securities	167,109	152,581	167,109	152,581
Fair value through profit or loss securities				
Equity securities	4,714	4,391	4,714	4,391
Debt securities	7,115	6,713	7,115	6,713
Total fair value through profit or loss securities	11,829	11,105	11,829	11,105
Derivative assets	1,763	1,226	1,763	1,226
Held-to-maturity debt securities	2,991	2,757	2,265	2,117
Mortgage loans	6,205	6,351	5,783	5,935
Other loans	10,412	9,879	8,620	8,274
Total financial assets[1]	**200,311**	**183,899**	**197,369**	**181,239**
Derivative liabilities	(481)	(365)	(481)	(365)
Financial liabilities held at amortized cost				
Liabilities related to investment contracts	(1,134)	(1,106)	(878)	(931)
Senior debt	(5,851)	(5,388)	(5,470)	(5,148)
Subordinated debt	(9,204)	(7,558)	(8,306)	(6,852)
Total financial liabilities held at amortized cost	(16,189)	(14,052)	(14,655)	(12,930)
Total financial liabilities[1]	**(16,669)**	**(14,417)**	**(15,135)**	**(13,296)**

1 2019 includes equity securities, debt securities, other loans and liabilities due to investment contracts related to the OnePath acquisition (see note 5).

All of the Group's financial assets and financial liabilities are initially recorded at fair value. Subsequently, available-for-sale financial assets, fair value through profit or loss financial assets, and derivative financial instruments are carried at fair value as of the balance sheet date. All other financial instruments are carried at amortized cost and the valuation techniques used to determine their fair value measurement are described below.

Fair values of held-to-maturity debt securities and senior and subordinated debt are obtained from third-party pricing providers. The fair value received from these pricing providers may be based on quoted prices in an active market for identical assets, alternative pricing methods such as matrix pricing or an income approach employing discounted cash flow models. Such instruments are categorized within level 2.

Discounted cash flow models are used for mortgage loans and other loans. The discount yields in these models use interest rates that reflect the return a market participant would expect to receive on instruments with similar remaining maturities, cash flow patterns, currencies, credit risk and collateral. Such instruments are categorized within level 3.

Fair values of liabilities related to investment contracts and investment contracts with DPF are determined using discounted cash flow models. Such instruments are categorized within level 3 due to the unobservability of certain inputs used in the valuation.

Consolidated financial statements (continued)

Recurring fair value measurements of assets and liabilities

Table 23.2a

Fair value hierarchy – non-unit-linked – current period

in USD millions, as of December 31, 2020	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Equity securities	9,742	3,291	1,746	14,779
Debt securities	–	144,354	7,976	152,330
Total available-for-sale securities	9,742	147,645	9,722	167,109
Fair value through profit or loss securities				
Equity securities	1,835	561	2,318	4,714
Debt securities	–	7,033	83	7,115
Total fair value through profit or loss securities	1,835	7,594	2,400	11,829
Derivative assets	6	1,404	353	1,763
Investment property	–	3,448	11,301	14,749
Reinsurers' share of liabilities for insurance contracts fair value option[1]	–	–	213	213
Total	**11,583**	**160,091**	**23,990**	**195,663**
Derivative liabilities	(6)	(423)	(52)	(481)
Liabilities for insurance contracts fair value option[2]	–	–	(2,294)	(2,294)
Total	**(6)**	**(423)**	**(2,346)**	**(2,775)**

1 Included within reinsurers' share of liabilities for insurance contracts.
2 Included within liabilities for insurance contracts.

Table 23.2b

Fair value hierarchy – non-unit-linked – prior period

in USD millions, as of December 31, 2019	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Equity securities	9,633	2,855	1,417	13,905
Debt securities	–	130,963	7,713	138,676
Total available-for-sale securities	9,633	133,818	9,129	152,581
Fair value through profit or loss securities				
Equity securities	1,611	602	2,179	4,391
Debt securities	–	6,632	81	6,713
Total fair value through profit or loss securities	1,611	7,234	2,260	11,105
Derivative assets	2	1,092	132	1,226
Investment property	–	2,760	10,501	13,261
Reinsurers' share of liabilities for insurance contracts fair value option[1]	–	–	206	206
Total	**11,246**	**144,905**	**22,228**	**178,379**
Derivative liabilities	(4)	(320)	(42)	(365)
Liabilities for insurance contracts fair value option[2]	–	–	(2,215)	(2,215)
Total	**(4)**	**(320)**	**(2,257)**	**(2,581)**

1 Included within reinsurers' share of liabilities for insurance contracts.
2 Included within liabilities for insurance contracts.

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Table 23.3a

Fair value hierarchy – unit-linked – current period

in USD millions, as of December 31, 2020	Level 1	Level 2	Level 3	Total
Fair value through profit or loss securities				
Equity securities	102,259	16,329	1,163	119,751
Debt securities	–	8,543	25	8,568
Other loans	10	3,152	–	3,162
Total fair value through profit or loss securities	102,269	28,024	1,188	131,481
Derivative assets	24	1	–	26
Investment property	–	–	2,957	2,957
Total investments for unit-linked contracts[1]	**102,294**	**28,026**	**4,145**	**134,464**
Financial liabilities at FV through profit or loss				
Liabilities related to unit-linked investment contracts	–	(55,214)	–	(55,214)
Derivative liabilities	–	(1)	–	(1)
Total	**–**	**(55,216)**	**–**	**(55,216)**

1 Excluding cash and cash equivalents.

Table 23.3b

Fair value hierarchy – unit-linked – prior period

in USD millions, as of December 31, 2019	Level 1	Level 2	Level 3	Total
Fair value through profit or loss securities				
Equity securities	92,528	18,203	919	111,650
Debt securities	–	8,042	21	8,062
Other loans	–	2,818	–	2,818
Total fair value through profit or loss securities	92,528	29,062	940	122,530
Derivative assets	1	2	–	3
Investment property	–	–	3,034	3,034
Total investments for unit-linked contracts[1]	**92,529**	**29,064**	**3,974**	**125,567**
Financial liabilities at FV through profit or loss				
Liabilities related to unit-linked investment contracts	–	(48,967)	–	(48,967)
Derivative liabilities	(2)	–	–	(2)
Total	**(2)**	**(48,967)**	**–**	**(48,969)**

1 Excluding cash and cash equivalents.

Within level 1, the Group has classified common stocks, exchange-traded derivative financial instruments, investments in unit trusts that are exchange listed and daily published and other highly liquid financial instruments.

Within level 2, the Group has classified government and corporate bonds, investments in unit trusts, agency mortgage-backed securities (MBS) and 'AAA' rated non-agency MBS and other asset-backed securities (ABS) where valuations are obtained from independent pricing providers. The fair value received from these pricing providers may be based on quoted prices in an active market for similar assets, alternative pricing methods such as matrix pricing or an income approach employing discounted cash flow models. If such quoted prices are not available, then fair values are estimated on the basis of information from external pricing providers or internal pricing models (for example, discounted cash flow models or other recognized valuation techniques).

Where there are active and transparent markets and no significant adjustments to the observable data required, the Group classified also a small portion of its investment property within level 2.

Over the counter derivative financial instruments are valued using internal models. The fair values are determined using dealer price quotations, discounted cash flow models and option pricing models, which use various inputs including current market and contractual prices for underlying instruments, time to expiry, yield curves and volatility of underlying instruments. Such instruments are classified within level 2 as the inputs used in pricing models are generally market observable or derived from market observable data.

Fair values of liabilities related to unit-linked investment contracts are usually determined by reference to the fair value of the underlying assets backing these liabilities. Such instruments are classified within level 2.

Within level 3, the Group has classified:

- Unlisted stocks, private equity funds and hedge funds that are not actively traded. The valuations of such instruments are obtained from quarterly net asset value information from the fund manager and annual audited financial statements provided by the issuing company. The prices are generally derived for each underlying company in line with the International Private Equity and Venture Capital Valuation (IPEV) guidelines, using discounted cash flow (income approach) or multiple methods (market approach). The Group has only limited insight into the specific inputs used by the fund managers hence a narrative sensitivity analysis is not applicable.
- Non-agency MBS and ABS rated below 'AAA' and private debt holdings including certain private placements and collateralized loan obligations (CLO) that are valued by independent pricing providers or external asset managers using primarily the discounted cash flow method with significant unobservable input parameters such as asset prepayment rate, default rates and credit spreads. A significant market yield increase of the benchmark securities in isolation could result in a decreased fair value, while a significant market yield decrease could result in an increased fair value. However, a reasonable variation in the option-adjusted spread taken from a set of benchmark securities with similar characteristics has only immaterial impact on fair value.
- Investment properties for which fair value is based on valuations performed annually by internal valuation specialists and generally on a rotation basis at least once every three years by an independent qualified appraiser. In general, the portfolio is valued using an internal income capitalization approach or discounted cash flow model. The models are asset specific and capitalize the sustainable investment income of a property with its risk specific cap rate or discount the net cash flows respectively. The cap rates and discount rates represent 'all risk yield' with components such as asset class yield for core assets (lowest risk) plus additional premiums for additional risks, for example second tier location or deterioration risk. All cap (discount) rate components (risk premiums) are reviewed and, if necessary, adjusted annually before revaluations are performed. The model takes into consideration external factors such as interest rate and market rents. The significant unobservable inputs which are outside this model, are rental growth, long-term vacancy rate and discount rate. Significant increases/(decreases) in rental growth, in isolation, would result in a significantly higher/(lower) fair value measurement. Significant increases/(decreases) in the long-term vacancy rate and discount rate, in isolation, would result in a significantly lower/(higher) fair value measurement. For example, an increase in discount rate of 10bps, considered in isolation, would result in a decrease in fair value by approximately 3% (i.e., USD 339 million as of December 31, 2020).
- Options and long-dated derivative financial instruments with fair values determined using counterparty valuations or calculated using significant unobservable inputs such as historical volatilities, historical correlation, implied volatilities from the counterparty or derived using extrapolation techniques. Quantitative information on unobservable inputs are not available when counterparty pricing was used. For internally calculated fair values significant increases/(decreases) in volatilities or correlation, would result in a significantly higher/(lower) fair value measurement, however, the overall effect on Group financial statements would not be material.
- Reinsurers' share of liabilities and liabilities for insurance contracts fair value option. The fair values are determined using discounted cash flow models. The discount factors used are based on derived rates for LIBOR swap forwards, spreads to U.S. Treasuries and spreads to U.S. corporate A or higher rated bond segments for financials, industrials and utilities. The liability-projected cash flows use contractual information for premiums, benefits and agent commissions, administrative expenses under third-party administrative service agreements and best estimate parameters for policy decrements. The primary unobservable inputs are the policy decrement assumptions used in projecting cash flows. These include disability claim parameters for incidence and termination (whether for recovery or death) and lapse rates. Significant increases/(decreases) in claim incidence rates and significant decreases/(increases) in claim termination rates would result in a significantly higher/(lower) fair value measurement.

For details on Group investments sensitivities, refer to section analysis by risk type in the risk review.

The fair value hierarchy is reviewed at the end of each reporting period to determine whether significant transfers between levels have occurred. Transfers between levels mainly arise as a result of changes in market activity and observability of the inputs to the valuation techniques used to determine the fair value of certain instruments.

For the year ended December 31, 2020 the Group transferred USD 3 billion of unit-linked equity securities, mainly mutual funds from Level 2 into Level 1, due to a change in price frequencies/vendor information indicating an active market with daily published net asset values.

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Table 23.4a

Development of assets and liabilities classified within level 3 – non-unit-linked – current period

in USD millions	Available-for-sale securities		Fair value through profit or loss securities				
	Equity securities	Debt securities	Equity securities	Debt securities	Derivative assets	Derivative liabilities	Investment property
As of January 1, 2020	1,417	7,713	2,179	81	132	(42)	10,501
Realized gains/(losses) recognized in income[1]	146	11	38	–	(11)	–	228
Unrealized gains/(losses) recognized in income[1,2]	(7)	(50)	272	2	–	(5)	130
Unrealized gains/(losses) recognized in other comprehensive income	103	198	–	–	198	4	67
Purchases	281	928	331	–	16	(8)	640
Settlements/sales/redemptions	(262)	(699)	(436)	(4)	(6)	1	(1,089)
Transfer from/to assets held for own use	–	–	–	–	–	–	25
Transfers into level 3	–	523	–	9	–	–	–
Transfers out of level 3	–	(894)	–	(6)	–	–	–
Acquisitions and divestments	–	–	(134)	–	–	–	–
Foreign currency translation effects	68	246	66	1	24	(3)	798
As of December 31, 2020	**1,746**	**7,976**	**2,318**	**83**	**353**	**(52)**	**11,301**

1 Presented as net capital gains/(losses) and impairments on Group investments in the audited consolidated income statements (see note 6).
2 Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments.

For the year ended December 31, 2020, the Group transferred USD 894 million of available-for-sale debt securities out of level 3 into level 2. The transfers were caused by the application of additional data vendors improving rating and price coverage in the areas of non-agency asset/mortgage backed/private debt securities. Partially offsetting this is the transfer of USD 523 million in securities from level 2 to level 3 predominantly resulting from a transfer of corporate bonds into private debt priced by asset managers.

Table 23.4b

Development of assets and liabilities classified within level 3 – non-unit-linked – prior period

in USD millions	Available-for-sale securities		Fair value through profit or loss securities				
	Equity securities	Debt securities	Equity securities	Debt securities	Derivative assets	Derivative liabilities	Investment property
As of January 1, 2019	1,219	7,559	2,198	78	79	(35)	10,082
Realized gains/(losses) recognized in income[1]	107	7	26	–	(12)	–	183
Unrealized gains/(losses) recognized in income[1,2]	(8)	(16)	198	2	(6)	(17)	213
Unrealized gains/(losses) recognized in other comprehensive income	34	286	–	–	61	18	–
Purchases	286	1,271	237	9	14	(8)	854
Settlements/sales/redemptions	(228)	(809)	(491)	(1)	(2)	–	(882)
Transfer from/to assets held for own use	–	–	–	–	–	–	18
Transfers into level 3	–	34	–	–	–	–	–
Transfers out of level 3	(11)	(619)	–	(7)	–	–	–
Foreign currency translation effects	17	–	11	1	(1)	1	33
As of December 31, 2019	**1,417**	**7,713**	**2,179**	**81**	**132**	**(42)**	**10,501**

1 Presented as net capital gains/(losses) and impairments on Group investments in the audited consolidated income statements (see note 4).
2 Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments.

For the year ended December 31, 2019, the Group transferred USD 619 million of available-for-sale debt securities out of level 3 into level 2 and USD 34 million out of level 2 into level 3. The transfers were mainly driven by a pricing provider change for a significant portfolio of syndicated loans receiving market quotes on a regular basis as a result of orderly market transactions and a rating upgrading of none-agency asset backed securities to 'AAA'.

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Table 23.5a

Development of liabilities for insurance contracts fair value option classified within level 3 – current period

in USD millions	Gross	Ceded	Net
As of January 1, 2020	2,215	(206)	2,010
Premiums	48	(4)	44
Claims	(212)	20	(192)
Fee income and other expenses	6	–	5
Interest and bonuses credited to policyholders	235	(23)	212
Changes in assumptions	2	–	2
As of December 31, 2020	**2,294**	**(213)**	**2,081**

Table 23.5b

Development of liabilities for insurance contracts fair value option classified within level 3 – prior period

in USD millions	Gross	Ceded	Net
As of January 1, 2019	2,203	(204)	1,999
Premiums	54	(5)	50
Claims	(233)	15	(218)
Fee income and other expenses	1	5	6
Interest and bonuses credited to policyholders	194	(18)	176
Changes in assumptions	(3)	–	(3)
As of December 31, 2019	**2,215**	**(206)**	**2,010**

Table 23.6a

Development assets and liabilities classified within level 3 – unit-linked – current period

in USD millions	Fair value through profit or loss securities		
	Equity securities	**Debt securities**	**Investment property**
As of January 1, 2020	919	21	3,034
Realized gains/(losses) recognized in income[1]	8	–	(62)
Unrealized gains/(losses) recognized in income[1]	93	–	(75)
Unrealized gains/(losses) recognized in shareholder's equity	–	2	–
Purchases	224	–	34
Sales/redemptions	(85)	(2)	(143)
Transfers into level 3	–	3	–
Transfers out of level 3	(1)	–	–
Foreign currency translation effects	4	1	169
As of December 31, 2020	**1,163**	**25**	**2,957**

1 Presented as net investment result on unit-linked investments in the consolidated income statements.

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Development assets and liabilities classified within level 3 – unit-linked – prior period

Table 23.6b

in USD millions	Fair value through profit or loss securities: Equity securities	Fair value through profit or loss securities: Debt securities	Investment property
As of January 1, 2019	619	21	3,222
Realized gains/(losses) recognized in income[1]	4	–	(55)
Unrealized gains/(losses) recognized in income[1]	61	–	20
Purchases	292	–	144
Sales/redemptions	(57)	(2)	(418)
Transfers into level 3	1	–	–
Acquisitions and divestments	–	–	7
Foreign currency translation effects	(1)	–	112
As of December 31, 2019	**919**	**21**	**3,034**

1 Presented as net investment result on unit-linked investments in the consolidated income statements.

Non-recurring fair value measurements of assets and liabilities

Under certain circumstances, the Group may measure certain assets or liabilities at fair value on a non-recurring basis when an impairment charge is recognized.

24. Analysis of financial assets

Tables 24.1a and 24.1b provide an analysis, for non-unit-linked businesses, of the age of financial assets that are past due but not impaired, and of financial assets that are individually determined to be impaired.

Table 24.1a

Analysis of financial assets – current period

in USD millions, as of December 31, 2020	Debt securities	Mortgage loans	Other loans	Receivables and other financial assets	Total
Neither past due nor impaired financial assets	161,670	5,729	8,615	12,015	188,029
Past due but not impaired financial assets					
Past due by:					
1 to 90 days	–	36	2	1,281	1,319
91 to 180 days	–	6	2	355	362
181 to 365 days	–	4	1	212	216
> 365 days	–	5	–	295	300
Past due but not impaired financial assets	–	51	4	2,143	2,198
Financial assets impaired	40	11	12	201	264
Gross carrying value	**161,710**	**5,791**	**8,632**	**14,358**	**190,491**
Less: impairment allowance					
Impairment allowances on individually assessed financial assets	–	4	12	105	121
Impairment allowances on collectively assessed financial assets	–	4	–	226	230
Net carrying value	**161,710**	**5,783**	**8,620**	**14,026**	**190,140**

Table 24.1b

Analysis of financial assets – prior period

in USD millions, as of December 31, 2019	Debt securities	Mortgage loans	Other loans	Receivables and other financial assets	Total
Neither past due nor impaired financial assets	147,382	5,882	8,268	11,775	173,307
Past due but not impaired financial assets					
Past due by:					
1 to 90 days	–	32	5	1,504	1,541
91 to 180 days	–	9	1	193	203
181 to 365 days	–	3	–	171	174
> 365 days	–	4	–	289	293
Past due but not impaired financial assets	–	48	6	2,157	2,211
Financial assets impaired	125	11	21	173	330
Gross carrying value	**147,507**	**5,941**	**8,295**	**14,105**	**175,848**
Less: impairment allowance					
Impairment allowances on individually assessed financial assets	–	2	21	69	93
Impairment allowances on collectively assessed financial assets	–	4	–	194	198
Net carrying value	**147,507**	**5,935**	**8,274**	**13,841**	**175,558**

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Tables 24.2a and 24.2b show how the allowances for impairments of financial assets in tables 24.1a and 24.1b developed during the periods ended December 31, 2020 and 2019, respectively.

Table 24.2a

Development of allowance for impairments – current period

in USD millions	Mortgage loans	Other loans	Receivables
As of January 1, 2020	6	21	263
Increase/(decrease) in allowance for impairments	1	1	90
Amounts written-off	–	(11)	(29)
Acquisitions/(divestments) and transfers	–	–	10
Foreign currency translation effects	1	1	(2)
As of December 31, 2020	**8**	**12**	**332**

Table 24.2b

Development of allowance for impairments – prior period

in USD millions	Mortgage loans	Other loans	Receivables
As of January 1, 2019	6	–	243
Increase/(decrease) in allowance for impairments	–	7	22
Amounts written-off	–	15	(1)
Acquisitions/(divestments) and transfers	–	–	4
Foreign currency translation effects	–	–	(5)
As of December 31, 2019	**6**	**21**	**263**

The Group has elected to defer the full implementation of IFRS 9 until IFRS 17 becomes effective on January 1, 2023. For further information on the Group's eligibility to the temporary exemption from IFRS 9, please refer to note 2.

Under IFRS 9, the classification and measurement of all debt instruments will be driven by the business model in which these assets are held and by their contractual terms. The combined effect of the application of the business model and contractual cash flows characteristics determine whether the financial assets are measured at amortized cost, fair value with changes recognized in other comprehensive income (OCI) or fair value through profit or loss. The business model will be assessed at the date of the initial application of IFRS 9.

Debt instruments with contractual terms that give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding (SPPI) will be measured at either amortized cost or at fair value with changes recognized in OCI, unless they are managed on a fair value basis. The assessment of the features of the contractual terms is referred to as the SPPI test. Debt instruments that do not pass the SPPI test will always be measured at fair value through profit or loss.

Equity instruments including fund investments will be accounted for at fair value through profit or loss. The Group does not intend to make use of the election to present changes in fair value of certain equity instruments that are not held for trading in OCI with no subsequent reclassification of realized gains or losses to the income statement.

Table 24.3a and Table 24.3b show the fair value and the carrying value at the end of current and previous reporting period for the following two groups of financial assets:

- Financial assets with contractual terms that give rise to cash flows that are SPPI;
- Other financial assets not passing the SPPI test, as well as financial assets managed on a fair value basis for which no SPPI assessment has been performed. Financial assets that have not passed the SPPI test include equities, callable bonds with significant prepayment features, hybrid bonds with certain cash flows at the discretion of the issuer and some ABS/MBS that do not fulfill the SPPI criteria for contractually linked instruments.

Net unrealized gains/(losses) on debt securities available for sale that are not SPPI amounted to USD 408 million and USD 277 million for the years ended December 31, 2020 and 2019, respectively. The carrying value on held-to-maturity debt securities, mortgage loans, other loans, and receivables include impairment allowances of USD 340 million and USD 270 million of the years ended December 31, 2020 and 2019, respectively.

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Table 24.3a

Fair value and carrying value of financial assets split by SPPI and other financial assets – current period

in USD millions, as of December 31, 2020	SPPI Fair value	SPPI Carrying value	Other financial assets Fair value	Other financial assets Carrying value	Total Fair value	Total Carrying value
Available-for-sale securities						
Equity securities	–	–	14,779	14,779	14,779	14,779
Debt securities	144,106	144,106	8,224	8,224	152,330	152,330
Total available-for-sale securities	144,106	144,106	23,003	23,003	167,109	167,109
Fair value through profit or loss securities						
Equity securities	–	–	4,714	4,714	4,714	4,714
Debt securities	–	–	7,115	7,115	7,115	7,115
Total fair value through profit or loss securities	–	–	11,829	11,829	11,829	11,829
Held-to-maturity debt securities	2,928	2,217	63	47	2,991	2,265
Mortgage loans	6,205	5,783	–	–	6,205	5,783
Other loans[1]	9,488	7,885	63	59	9,552	7,944
Receivables	13,037	13,037	–	–	13,037	13,037
Derivative assets	–	–	1,763	1,763	1,763	1,763
Total financial assets	**175,764**	**173,028**	**36,722**	**36,702**	**212,486**	**209,731**

1 Do not include policyholder loans, which will come under IFRS 17 and are therefore not applicable for IFRS 9, of USD 861 million and USD 675 million for fair value and carrying value, respectively.

Table 24.3b

Fair value and carrying value of financial assets split by SPPI and other financial assets – prior period

in USD millions, as of December 31, 2019	SPPI Fair value	SPPI Carrying value	Other financial assets Fair value	Other financial assets Carrying value	Total Fair value	Total Carrying value
Available-for-sale securities						
Equity securities	–	–	13,905	13,905	13,905	13,905
Debt securities	131,040	131,040	7,637	7,637	138,676	138,676
Total available-for-sale securities	131,040	131,040	21,542	21,542	152,581	152,581
Fair value through profit or loss securities						
Equity securities	–	–	4,391	4,391	4,391	4,391
Debt securities	–	–	6,713	6,713	6,713	6,713
Total fair value through profit or loss securities	–	–	11,105	11,105	11,105	11,105
Held-to-maturity debt securities	2,702	2,074	55	43	2,757	2,117
Mortgage loans	6,351	5,935	–	–	6,351	5,935
Other loans[1]	8,987	7,534	66	66	9,053	7,600
Receivables	12,679	12,679	–	–	12,679	12,679
Derivative assets	–	–	1,226	1,226	1,226	1,226
Total financial assets	**161,758**	**159,262**	**33,994**	**33,982**	**195,752**	**193,244**

1 Do not include policyholder loans, which will come under IFRS 17 and are therefore not applicable for IFRS 9, of USD 826 million and USD 674 million for fair value and carrying value, respectively.

With IFRS 9, the incurred loss impairment approach will be replaced by a forward-looking expected credit loss (ECL) approach that will apply to debt securities, loans and receivables that are not accounted for at fair value through profit or loss. Thus, the same ECL requirements will apply to all financial assets measured at amortized cost and those measured at fair value with changes recognized in OCI.

At initial recognition of a debt instrument, a loss allowance is recognized for expected credit losses resulting from default events within the next 12 months after the reporting date (12-month ECL). Such instruments are classified as Stage 1. The Group does not originate or acquire financial assets that are credit-impaired at initial recognition.

In the event of a significant increase in credit risk (SICR) since initial recognition, IFRS 9 requires the ECL allowance to be measured at an amount equal to lifetime expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Such instruments are referred to as Stage 2.

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The Group applies the 'low credit risk practical expedient,' by assuming that no increase in credit risk has occurred since initial recognition for financial assets that have an external or internal rating equivalent to 'investment grade' (i.e., 'AAA' to 'BBB–') at the reporting date. For the remaining financial assets, the Group considers all relevant reasonable supporting information that is available without undue cost or effort when determining whether a SICR has occurred since initial recognition, or not. An increase in credit risk is assessed using a transition matrix approach that determines SICR thresholds depending on the credit rating at initial recognition and residual time to maturity of the instrument. Where necessary, the quantitative assessment is supplemented by a qualitative assessment of the issuer's credit quality. For certain less material portfolios, including residential mortgage loans, the '30 days past due' criterion is used as a primary indicator of a SICR. Where a SICR is no longer observed, the instrument transitions back to stage 1.

The Group has elected to apply the simplified approach for receivables from policyholders and other receivables that are allocated to 'Stage 2' unless individually impaired. Financial assets that have become credit-impaired are allocated to stage 3 based on similar principles as are applied under IAS 39 to determine whether credit loss has been incurred.

The tables 24.4a and 24.4b show the fair value and the carrying amount (before adjusting for any impairment in case of financial assets measured at amortized cost) of financial assets whose contractual terms give rise to cash flows that are SPPI, by impairment stages:

Financial assets (SPPI) by stages – current period

Table 24.4a

in USD millions, as of December 31, 2020	Stage 1		Stage 2		Stage 3		Total	
	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value
Available-for-sale debt securities	143,508	143,508	560	560	38	38	144,106	144,106
Held-to-maturity debt securities	2,927	2,216	–	–	1	1	2,928	2,217
Mortgage loans	6,166	5,750	12	12	28	29	6,205	5,791
Other loans[1]	9,461	7,858	27	27	–	–	9,488	7,885
Receivables	2,441	2,505	10,554	10,718	42	145	13,036	13,368
Total financial assets	**164,503**	**161,838**	**11,153**	**11,316**	**108**	**213**	**175,764**	**173,367**

1 Do not include policyholder loans, which will come under IFRS 17 and are therefore not applicable for IFRS 9, of USD 861 million and USD 675 million for fair value and carrying value, respectively.

Financial assets (SPPI) by stages – prior period

Table 24.4b

in USD millions, as of December 31, 2019	Stage 1		Stage 2		Stage 3		Total	
	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value
Available-for-sale debt securities	130,333	130,333	505	505	202	202	131,040	131,040
Held-to-maturity debt securities	2,702	2,074	–	–	–	–	2,702	2,074
Mortgage loans	6,304	5,895	22	21	25	25	6,351	5,941
Other loans[1]	8,957	7,506	29	29	–	–	8,987	7,534
Receivables	1,875	1,910	10,761	10,923	43	109	12,679	12,942
Total financial assets	**150,172**	**147,718**	**11,316**	**11,477**	**269**	**336**	**161,758**	**159,531**

1 Do not include policyholder loans, which will come under IFRS 17 and are therefore not applicable for IFRS 9, of USD 826 million and USD 674 million for fair value and carrying value, respectively.

25. Related-party transactions

In the normal course of business, the Group enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. Related parties of the Group include, among others, subsidiaries, associates, joint ventures, key management personnel, and the post-employment benefit plans (see note 20). Transactions between the Group and its subsidiaries are eliminated on consolidation, and they are not disclosed in the consolidated financial statements. A list of the Group's significant subsidiaries is shown in note 28. The transactions of the Group concluded with its associates and with its joint ventures are not considered material to the Group, either individually or in aggregate.

Table 25 summarizes related-party transactions with key management personnel reflected in the consolidated financial statements. Key management personnel includes members of the Board of Directors of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd and members of the Executive Committee.

Related party transactions – key personnel

Table 25

in USD millions, for the years ended December 31	**2020**	2019
Remuneration of key personnel of the Group		
Cash compensation, current benefits and fees	31	32
Post-employment benefits	4	4
Share-based compensation	42	35
Other remuneration	4	5
Total remuneration of key personnel	**81**	**76**

As of December 31, 2020 and 2019, there were no loans, advances or credits outstanding from members of the Executive Committee. Outstanding loans and guarantees granted to members of the Board of Directors amounted to nil for the years ended December 31, 2020 and 2019. The terms 'members of the Board of Directors' and 'members of the Executive Committee' in this context include the individual as well as members of their respective households. The figures in table 25 include the fees paid to members of the Board of Directors of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd, which were USD 6 million and USD 5 million for the years ended December 31, 2020 and 2019 respectively.

Information required by art. 14–16 of the Swiss Ordinance against Excessive Compensation and art. 663c paragraph 3 of the Swiss Code of Obligations is disclosed in the Remuneration report.

The cash compensation, current benefits and fees are short term in nature.

26. Relationship with the Farmers Exchanges

Farmers Group, Inc. and its subsidiaries (FGI) provide certain non-claims services to the Farmers Exchanges as their attorneys-in-fact, and also provide certain ancillary services to the Farmers Exchanges. Farmers Group Inc. is a wholly owned subsidiary of the Group. Attorney-in-fact services primarily include risk selection, preparation and mailing of policy documents and invoices, premium collection, management of the investment portfolios and certain other administrative and managerial functions. Fees for these services are primarily determined as a percentage of gross premiums earned by the Farmers Exchanges. Ancillary services primarily include information technology, brand advertising and certain distribution related services that are not covered under the attorney-in-fact contracts for which FGI acts as a principal in arranging for those services to the Exchanges. The finances and operations of the Farmers Exchanges are governed by independent Boards of Governors. In addition, the Group has the following relationships with the Farmers Exchanges.

a) Certificates of contribution/surplus notes issued by the Farmers Exchanges

As of December 31, 2020 and 2019, FGI and its subsidiary held the following surplus note and certificates of contribution issued by the Farmers Exchanges. Originally these were purchased by FGI subsidiaries in order to supplement the policyholders' surplus of the Farmers Exchanges.

Table 26.1

Certificates of contribution/surplus note

in USD millions, as of December 31	**2020**	2019
3.758% surplus note, due December 2027	100	100
Various other certificates of contribution	–	23
Total	**100**	**123**

In February 2020, the Farmers Exchanges repaid all the remaining certificates of contribution at various interest rates to the Fire Underwriters Association. The USD 100 million of 10-year, no call five-year notes at a 3.758 percent rate that the Farmers Exchanges issued to Farmers New World Life Insurance Company remain unchanged.

Conditions governing payment of interest and repayment of principal are outlined in the surplus note and certificates of contribution. Generally, repayment of principal and payment of interest may be made only when the issuer has an appropriate amount of surplus, and then only after approval is granted by the appropriate state insurance regulatory department in the U.S. Additionally, the approval by the issuer's governing board is needed for repayment of principal.

b) Quota share reinsurance treaty with the Farmers Exchanges

The Farmers Exchanges cede risk through a quota share reinsurance treaty, the All Lines Quota Share reinsurance agreement (All Lines agreement) with Farmers Reinsurance Company (Farmers Re Co), a wholly owned subsidiary of FGI, as well as numerous unrelated reinsurers. The All Lines agreement can be terminated after 90 days' notice by any of the parties.

The All Lines agreement provides for a cession of a quota share of the premiums earned and the ultimate net losses sustained in all lines of business written by the Farmers Exchanges.

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Table 26.2

Quota share reinsurance treaty

in USD millions, for the years ended December 31	All Lines agreement	
	2020[1]	2019[2]
Net earned premiums and policy fees	48	197
Insurance benefits and losses, net[3,4]	(24)	(143)
Total net technical expenses[5]	(16)	(63)
Net underwriting result	**9**	**(9)**

1 From January 1, 2020, Farmers Re Co assumed a 0.25 percent quota share. Another 25.75 percent was assumed by third parties. Effective December 31, 2020, Farmers Re participation in the All Lines agreement remains at 0.25 percent. Another 25.75 percent was assumed by third parties.
2 From January 1, 2019, Farmers Re Co assumed a 1.0 percent quota share. Another 28.0 percent was assumed by third parties.
3 Under the All Lines agreement, the Farmers Exchanges catastrophe losses are subject to a provisional maximum of 6.75 percent of net earned premiums dependent on loss experience and recoveries at a specified rate for each year. Based on the results for 2020, the total catastrophe recoveries subject to the All Lines agreement was USD 1.3 billion.
4 From 2012 to 2018, Zurich Insurance Company Ltd (ZIC) participated in the All Lines agreement. The insurance losses include prior year loss development assumed by ZIC of USD 8 million and USD (7) million, for the years 2020 and 2019, respectively.
5 Under the All Lines agreement, the Farmers Exchanges receive a ceding commission of 26.7 percent, 8.1 percent of premiums for unallocated loss adjustment expenses and 5.3 percent of premiums for other expenses.

c) Farmers management fees and other related revenues

Farmers Group, Inc. and its subsidiaries (FGI), wholly owned subsidiaries of the Group, are the appointed attorneys-in-fact of the Farmers Exchanges, which are not owned by FGI. As the attorney-in-fact, FGI is permitted by policyholders of the Farmers Exchanges to receive a management fee of up to 20 percent (up to 25 percent in the case of the Fire Insurance Exchange) of the gross premiums earned by the Farmers Exchanges. This management fee, the primary source of revenue for FGI, has an agreed upon margin cap of 7% which is derived from FGI gross management result divided by the gross premium earned by the Farmers Exchanges. The expected revenues and expenses are assessed monthly to determine if expected revenues will be in excess of the cap, in which case the revenue is reduced on a pro-rata basis to ensure that no revenue is recognized for the amounts exceeding the cap. In addition, FGI revenue includes reimbursement of certain ancillary service costs incurred by FGI on behalf of primarily the Farmers Exchanges that are not covered under the attorney-in-fact contracts. The amounts incurred for these services are reimbursed to FGI at cost in accordance with allocations that are subject to approval by the Farmers Exchanges Boards of Governors.

FGI has historically charged a lower management fee than the amount allowed by policyholders. The range of fees has varied by line of business over time and from year to year. The gross earned premiums of the Farmers Exchanges were USD 20.1 billion and USD 20.4 billion for the years ended December 31, 2020 and 2019, respectively.

Table 26.3

Farmers Management Services

in USD millions, for the years ended December 31	**2020**	2019	Change
Management fees and other related revenues	3,703	3,780	(2%)
Management fees[1]	2,749	2,804	
Revenues for ancillary services	842	858	
Membership fees	59	60	
Other revenues	53	58	
Management and other related expenses	2,345	2,356	–
Expenses for ancillary services	842	858	
Management and other expenses	1,504	1,498	
Gross management result	**1,357**	**1,424**	**(5%)**
Managed gross earned premium margin	6.8%	7.0%	(0.2 pts)

1 Decrease in 2020 fee revenues as a result of the COVID-19 premium credits to customers at the Farmers Exchanges and a reduction in the aggregate AIF fee rate.

27. Segment information

The Group pursues a customer-centric strategy, where the Property & Casualty (P&C) and Life businesses are managed on a regional basis. The Group's reportable segments have been identified on the basis of the businesses operated by the Group and how these are strategically managed to offer different products and services to specific customer groups. The Group has identified 13 reportable segments in accordance with IFRS 8 'Operating Segments' and segment information is presented accordingly as follows:

- Property & Casualty regions
- Life regions
- Farmers
- Group Functions and Operations
- Non-Core Businesses

The Group's reportable segments comprise the following:

Property & Casualty and Life regions

- Europe, Middle East & Africa
- North America
- Asia Pacific
- Latin America
- Group Reinsurance

Property & Casualty regions provide a variety of motor, home and commercial products and services for individuals as well as small and large businesses on both a local and global basis. Products are sold through multiple distribution channels including agents, brokers and bank distribution.

Life regions provide a comprehensive range of life and health insurance products on both an individual and a group basis, including annuities, endowment and term insurance, unit-linked and investment-oriented products, as well as full private health, supplemental health and long-term care insurance. In addition to the agent distribution channel, certain of these products are offered via bank distribution channels.

Farmers, through Farmers Group, Inc. and its subsidiaries (FGI), provides certain non-claims services and ancillary services to the Farmers Exchanges, which are owned by their policyholders. This segment also includes all reinsurance assumed from the Farmers Exchanges by the Group. Farmers Exchanges are prominent writers of personal and small commercial lines of business in the U.S. In addition, this segment includes the activities of Farmers Life, a writer of individual life insurance business in the U.S.

Group Functions and Operations comprise the Group's Holding and Financing, Headquarter and Zurich Insurance Mobile Solutions (ZIMS) activities. Certain alternative investment positions not allocated to business operating segments are included within Holding and Financing. In addition, this segment includes operational technical governance activities relating to technology, underwriting, claims, actuarial and pricing.

Non-Core Businesses include insurance and reinsurance businesses that the Group does not consider core to its operations and that are therefore mostly managed to achieve a beneficial run-off. Non-Core Businesses are mainly situated in the U.S., Bermuda, and in Europe.

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Aggregations and additional information

Regional Property & Casualty and Life results are further aggregated to show a total Property & Casualty and total Life business view.

- Property & Casualty – total
- Life – total

For additional informational purposes, the Group also discloses income statement information for Property & Casualty Commercial Insurance and Property & Casualty Retail and Other Insurance results. Other Insurance includes SME, direct market and other program business.

- Property & Casualty Commercial Insurance
- Property & Casualty Retail and SME

Business operating profit

The segment information includes the Group's internal performance measure, business operating profit (BOP). This measure is the basis on which the Group manages all of its business units. It indicates the underlying performance of the Group's business units, after non-controlling interests, by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains/(losses) and impairments on investments (except for certain non-insurance operations included in Non-Core Businesses, investments in hedge funds as at fair value through profit or loss, certain securities held for specific economic hedging purposes and policyholders' share of investment results for the life businesses) and non-operational foreign exchange movements. Significant items arising from special circumstances, including restructuring charges, legal matters or large one-off regulatory projects outside the ordinary course of business, gains and losses on divestment of businesses, certain business combination integration costs and impairments of goodwill are also excluded from BOP.

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Property & Casualty – Overview by segment

Table 27.1

in USD millions, for the years ended December 31	Europe, Middle East & Africa		North America	
	2020	2019	**2020**	2019
Revenues				
Direct written premiums	13,781	12,722	15,185	14,389
Assumed written premiums	2,058	1,836	851	833
Gross written premiums and policy fees	15,839	14,558	16,036	15,223
Less premiums ceded to reinsurers	(3,109)	(2,739)	(5,970)	(5,551)
Net written premiums and policy fees	12,730	11,818	10,066	9,672
Net change in reserves for unearned premiums	(387)	(327)	(250)	(116)
Net earned premiums and policy fees	12,343	11,491	9,816	9,556
Net investment income on Group investments	498	578	981	1,081
Net capital gains/(losses) and impairments on Group investments	50	37	255	174
Net investment result on Group investments	547	615	1,236	1,255
Other income	355	355	37	79
Total BOP revenues	13,246	12,461	11,089	10,890
Benefits, losses and expenses				
Insurance benefits and losses, net	8,298	7,438	6,761	6,555
Policyholder dividends and participation in profits, net	8	7	7	8
Underwriting and policy acquisition costs, net	2,440	2,168	2,538	2,295
Administrative and other operating expense (excl. depreciation/amortization)	1,433	1,458	231	309
Interest credited to policyholders and other interest	173	172	65	66
Restructuring costs and other items not included in BOP	(84)	(100)	(19)	(23)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	12,268	11,142	9,583	9,210
Business operating profit (before interest, depreciation and amortization)	**978**	**1,318**	**1,506**	**1,681**
Depreciation and impairments of property and equipment	109	92	72	66
Amortization and impairments of intangible assets	90	83	39	37
Interest expense on debt	9	18	–	–
Business operating profit before non-controlling interests	770	1,125	1,396	1,578
Non-controlling interests	15	8	–	–
Business operating profit	**755**	**1,117**	**1,396**	**1,578**

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	Asia Pacific		Latin America		Group Reinsurance		Eliminations		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	2,719	2,851	2,242	2,790	–	–	–	–	33,926	32,752
	207	179	57	81	597	593	(2,178)	(2,091)	1,592	1,432
	2,926	3,030	2,299	2,871	597	593	(2,178)	(2,091)	35,518	34,184
	(567)	(505)	(565)	(583)	(568)	(534)	2,178	2,091	(8,601)	(7,822)
	2,359	2,525	1,734	2,289	28	59	–	–	26,918	26,362
	80	(75)	37	(132)	(3)	(104)	–	–	(522)	(754)
	2,439	2,449	1,771	2,157	26	(45)	–	–	26,396	25,608
	92	74	160	217	10	11	–	–	1,740	1,961
	–	–	–	–	–	–	–	–	305	211
	92	74	160	217	10	11	–	–	2,045	2,171
	136	145	41	59	3	30	–	–	573	668
	2,668	2,669	1,972	2,432	38	(4)	–	–	29,014	28,447
	1,476	1,358	641	840	360	285	–	–	17,536	16,475
	–	–	–	–	–	(2)	–	–	15	12
	601	579	719	910	(9)	(13)	–	–	6,288	5,939
	487	441	260	354	36	9	–	–	2,447	2,571
	2	4	32	32	7	(3)	–	–	278	271
	(23)	(7)	(14)	(50)	–	–	–	–	(140)	(180)
	2,543	2,376	1,638	2,086	393	274	–	–	26,425	25,088
	124	**293**	**335**	**346**	**(355)**	**(279)**	**–**	**–**	**2,589**	**3,359**
	51	37	17	18	1	1	–	–	251	214
	23	19	11	13	–	–	–	–	162	151
	–	–	–	1	1	12	–	–	10	32
	51	237	306	315	(357)	(292)	–	–	2,166	2,962
	3	1	68	76	–	–	–	–	86	84
	48	**236**	**239**	**240**	**(357)**	**(292)**	**–**	**–**	**2,080**	**2,878**

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Life – Overview by segment

Table 27.2

in USD millions, for years ended December 31	Europe, Middle East & Africa		North America	
	2020	2019	**2020**	2019
Revenues				
Life insurance deposits	9,390	13,839	761	778
Gross written premiums	7,420	8,025	137	122
Policy fees	1,388	1,564	369	339
Gross written premiums and policy fees	8,808	9,589	505	461
Net earned premiums and policy fees	8,133	8,899	469	447
Net investment income on Group investments	2,226	2,313	31	34
Net capital gains/(losses) and impairments on Group investments	434	798	6	16
Net investment result on Group investments	2,660	3,111	37	49
Net investment income on unit-linked investments	917	1,278	–	–
Net capital gains/(losses) and impairments on unit-linked investments	4,413	15,236	615	676
Net investment result on unit-linked investments	5,330	16,514	615	676
Other income	384	369	40	41
Total BOP revenues	16,507	28,893	1,161	1,214
Benefits, losses and expenses				
Insurance benefits and losses, net	6,993	7,571	385	352
Policyholder dividends and participation in profits, net	6,196	17,537	615	676
Income tax expense/(benefit) attributable to policyholders	37	333	–	–
Underwriting and policy acquisition costs, net	791	917	53	123
Administrative and other operating expense (excl. depreciation/amortization)	1,240	1,255	90	54
Interest credited to policyholders and other interest	230	212	32	39
Restructuring costs and other items not included in BOP	(82)	(99)	–	–
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	15,404	27,725	1,174	1,244
Business operating profit (before interest, depreciation and amortization)	**1,103**	**1,168**	**(13)**	**(29)**
Depreciation and impairments of property and equipment	26	23	–	–
Amortization and impairments of intangible assets	35	54	–	–
Interest expense on debt	–	2	–	–
Business operating profit before non-controlling interests	1,042	1,089	(13)	(30)
Non-controlling interests	97	52	–	–
Business operating profit	**945**	**1,037**	**(13)**	**(30)**

Life includes approximately USD 1.1 billion and USD 1.4 billion of gross written premiums and future life policyholder benefits for certain universal life-type contracts in the Group's Spanish operations for the years ended December 31, 2020 and 2019, respectively.

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Asia Pacific		Latin America		Group Reinsurance		Eliminations		Total	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
112	87	3,401	3,624	–	–	–	–	13,663	18,328
2,242	1,892	2,193	3,009	33	28	(45)	(37)	11,980	13,038
147	163	69	46	–	–	–	–	1,973	2,113
2,389	2,055	2,262	3,056	33	28	(45)	(37)	13,953	15,151
2,021	1,756	1,977	2,562	24	19	–	–	12,624	13,683
167	179	331	392	–	–	(2)	(2)	2,753	2,915
34	59	12	32	–	–	–	–	486	906
201	238	343	424	–	–	(2)	(2)	3,239	3,821
107	99	31	36	–	–	–	–	1,055	1,413
(4)	126	715	1,256	–	–	–	–	5,739	17,293
104	225	746	1,292	–	–	–	–	6,794	18,706
23	23	68	85	–	–	(2)	(1)	513	518
2,348	2,242	3,133	4,363	24	19	(3)	(3)	23,169	36,728
1,094	1,004	825	1,259	10	5	–	–	9,306	10,190
124	268	756	1,288	–	–	–	–	7,691	19,769
10	32	–	–	–	–	–	–	46	365
324	279	937	1,092	9	8	(2)	(1)	2,112	2,417
522	457	162	248	1	1	–	–	2,015	2,015
13	26	22	26	–	–	–	–	297	303
(40)	(63)	41	(66)	–	–	–	–	(81)	(228)
2,048	2,003	2,742	3,847	20	13	(2)	(1)	21,387	34,831
300	**239**	**391**	**515**	**4**	**6**	**(2)**	**(2)**	**1,782**	**1,897**
9	8	10	7	–	–	–	–	45	39
9	11	9	14	–	–	–	–	52	80
16	16	1	–	–	–	(2)	(2)	16	17
266	202	371	494	4	6	–	–	1,670	1,761
(3)	(2)	152	225	–	–	–	–	246	275
269	**204**	**219**	**269**	**4**	**6**	**–**	**–**	**1,423**	**1,486**

Consolidated financial statements (continued)

Business operating profit by business

Table 27.3

in USD millions, for the years ended December 31

	Property & Casualty		Life	
	2020	2019	**2020**	2019
Revenues				
Direct written premiums	33,926	32,752	11,760	12,706
Assumed written premiums	1,592	1,432	220	332
Gross Written Premiums	35,518	34,184	11,980	13,038
Policy fees	–	–	1,973	2,113
Gross written premiums and policy fees	35,518	34,184	13,953	15,151
Less premiums ceded to reinsurers	(8,601)	(7,822)	(1,225)	(1,193)
Net written premiums and policy fees	26,918	26,362	12,727	13,958
Net change in reserves for unearned premiums	(522)	(754)	(104)	(275)
Net earned premiums and policy fees	26,396	25,608	12,624	13,683
Farmers management fees and other related revenues	–	–	–	–
Net investment income on Group investments	1,740	1,961	2,753	2,915
Net capital gains/(losses) and impairments on Group investments	305	211	486	906
Net investment result on Group investments	2,045	2,171	3,239	3,821
Net investment result on unit-linked investments	–	–	6,794	18,706
Other income	573	668	513	518
Total BOP revenues	29,014	28,447	23,169	36,728
of which: inter-business revenues	(12)	(601)	(165)	(195)
Benefits, losses and expenses				
Losses and loss adjustment expenses, net	17,539	16,477	–	–
Life insurance death and other benefits, net	(2)	(1)	9,306	10,190
Insurance benefits and losses, net	17,536	16,475	9,306	10,190
Policyholder dividends and participation in profits, net	15	12	7,691	19,769
Income tax expense/(benefit) attributable to policyholders	–	–	46	365
Underwriting and policy acquisition costs, net	6,288	5,939	2,112	2,417
Administrative and other operating expense (excl. depreciation/amortization)	2,447	2,571	2,015	2,015
Interest credited to policyholders and other interest	278	271	297	303
Restructuring costs and other items not included in BOP	(140)	(180)	(81)	(228)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	26,425	25,088	21,387	34,831
Business operating profit (before interest, depreciation and amortization)	**2,589**	**3,359**	**1,782**	**1,897**
Depreciation and impairments of property and equipment	251	214	45	39
Amortization and impairments of intangible assets	162	151	52	80
Interest expense on debt	10	32	16	17
Business operating profit before non-controlling interests	2,166	2,962	1,670	1,761
Non-controlling interests	86	84	246	275
Business operating profit	**2,080**	**2,878**	**1,423**	**1,486**

Life includes approximately USD 1.1 billion and USD 1.4 billion of gross written premiums and future life policyholder benefits for certain universal life-type contracts in the Group's Spanish operations for the years ended December 31, 2020 and 2019, respectively.

Consolidated financial statements (continued)

Farmers 2020	Farmers 2019	Group Functions and Operations 2020	Group Functions and Operations 2019	Non-Core Businesses 2020	Non-Core Businesses 2019	Eliminations 2020	Eliminations 2019	Total 2020	Total 2019
610	593	(7)	–	34	58	–	–	46,323	46,109
49	138	–	–	54	62	(17)	(17)	1,899	1,947
659	731	(7)	–	88	119	(17)	(17)	48,221	48,056
337	326	–	–	24	30	–	–	2,334	2,469
996	1,056	(7)	–	112	150	(17)	(17)	50,555	50,525
(174)	(175)	–	–	(5)	(100)	17	17	(9,988)	(9,274)
822	882	(7)	–	107	50	–	–	40,567	41,251
(1)	59	2	–	2	21	–	–	(623)	(949)
821	941	(5)	–	109	71	–	–	39,944	40,302
3,703	3,780	–	–	–	–	–	–	3,703	3,780
189	204	163	196	167	197	(109)	(174)	4,903	5,298
2	3	–	–	174	128	–	–	966	1,248
191	207	163	196	340	325	(109)	(174)	5,869	6,546
163	194	–	–	433	584	–	–	7,389	19,485
89	123	133	218	(9)	51	(342)	(448)	957	1,129
4,967	5,245	291	414	873	1,031	(451)	(623)	57,863	71,242
(18)	(39)	(245)	(261)	(11)	473	451	623	–	–
24	143	–	–	18	47	–	–	17,581	16,666
522	419	(3)	–	338	295	–	–	10,160	10,903
545	562	(3)	–	356	342	–	–	27,741	27,570
173	204	–	–	446	597	–	–	8,325	20,582
–	–	–	–	–	–	–	–	46	365
145	152	4	2	5	20	–	–	8,555	8,529
2,372	2,333	380	383	88	70	(74)	(69)	7,228	7,303
108	111	121	150	26	37	(250)	(282)	581	590
(64)	(17)	(78)	(47)	–	(4)	–	–	(363)	(476)
3,280	3,345	424	488	921	1,061	(323)	(351)	52,113	64,462
1,687	**1,900**	**(132)**	**(74)**	**(49)**	**(31)**	**(127)**	**(272)**	**5,750**	**6,780**
72	69	12	10	–	–	–	–	380	331
114	125	70	30	–	–	–	–	398	386
–	–	495	604	5	21	(127)	(272)	399	401
1,501	1,707	(709)	(717)	(54)	(52)	–	–	4,574	5,661
–	–	–	(1)	–	–	–	–	332	359
1,501	**1,707**	**(709)**	**(716)**	**(54)**	**(52)**	**–**	**–**	**4,241**	**5,302**

Consolidated financial statements (continued)

Reconciliation of BOP to net income after income taxes

Table 27.4

in USD millions, for the years ended December 31

	Property & Casualty		Life	
	2020	2019	**2020**	2019
Business operating profit	**2,080**	**2,878**	**1,423**	**1,486**
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	835	716	390	204
Net gains/(losses) on divestment of businesses[1]	–	(198)	56	(146)
Restructuring costs	(92)	(104)	(64)	(44)
Impairments of goodwill	–	–	–	–
Other adjustments[2]	(49)	(77)	(17)	(184)
Add back:				
Business operating profit attributable to non-controlling interests	86	84	246	275
Net income before shareholders' taxes	2,861	3,300	2,034	1,591
Income tax expense/(benefit) attributable to policyholders	–	–	46	365
Net income before income taxes	**2,861**	**3,300**	**2,081**	**1,956**
Income tax (expense)/benefit				
attributable to policyholders				
attributable to shareholders				
Net income after taxes				
attributable to non-controlling interests				
attributable to shareholders				

1 In 2020, Life included gains of USD 115 million due to the sale of the Corporate Life and Pensions (CLP) business to Aflac Incorporated (Aflac) by Zurich Holding Company of America, Inc., Zurich American Life Insurance Company and Zurich American Life Insurance Company of New York, offset by losses of USD 20 million as Zurich International Life Limited entered into an agreement to sell an insurance portfolio, USD 14 million due to the sale of UK International Portfolio Bond by Zurich Life Assurance plc, USD 19 million for re-measurements of assets held for sale based on agreements to sell businesses in the UK and USD 7 million related to the sale of the UK Life business (see note 5). In 2019, Property & Casualty included losses of USD 217 million related to the sale of the Venezuelan operations offset by gains of USD 19 million related to the sale of ADAC Autoversicherung AG, Life included losses of USD 167 million for re-measurements of assets held for sale based on agreements to sell businesses in the UK and USD 43 million related to the sale of the Venezuelan operations offset by gains of USD 24 million related to the sale of the UK Life portfolio and gains of USD 39 million related to the sale of Bonnfinanz AG, Group Functions and Operations included gains of USD 44 million for re-measurements of assets held for sale based on agreements to sell businesses in the UK.

2 Other adjustments in 2020 and 2019 include charges related to the implementation of IFRS 17 and business combination integration costs.

Consolidated financial statements (continued)

	Farmers		Group Functions and Operations		Non-Core Businesses		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	1,501	**1,707**	**(709)**	**(716)**	**(54)**	**(52)**	**4,241**	**5,302**
	9	5	(172)	(151)	18	70	1,080	845
	–	–	1	49	–	–	57	(295)
	(55)	(9)	(3)	–	–	(4)	(214)	(160)
	–	–	(33)	–	–	–	(33)	–
	(8)	(8)	(42)	(47)	–	–	(116)	(316)
	–	–	–	(1)	–	–	332	359
	1,446	1,695	(957)	(866)	(37)	14	5,348	5,735
	–	–	–	–	–	–	46	365
	1,446	**1,695**	**(957)**	**(866)**	**(37)**	**14**	**5,395**	**6,100**
							(1,323)	(1,716)
							(46)	(365)
							(1,277)	(1,351)
							4,071	**4,384**
							238	237
							3,834	4,147

Consolidated financial statements (continued)

Assets and liabilities by business

Table 27.5

in USD millions, as of December 31

	Property & Casualty		Life	
	2020	2019	**2020**	2019
Assets				
Cash and cash equivalents	9,850	6,136	4,789	4,309
Total Group Investments	73,303	70,119	124,873	111,265
Equity securities	9,250	8,517	9,087	8,741
Debt securities	53,743	51,795	93,864	82,275
Investment property	5,195	5,048	9,298	7,838
Mortgage loans	950	1,055	4,299	4,322
Other loans	4,159	3,701	8,305	8,073
Investments in associates and joint ventures	6	2	20	16
Investments for unit-linked contracts	–	–	129,797	121,390
Total investments	73,303	70,119	254,670	232,655
Reinsurers' share of liabilities for insurance contracts	17,518	14,859	3,026	2,714
Deposits made under assumed reinsurance contracts	56	191	73	65
Deferred policy acquisition costs	5,984	5,694	12,248	11,695
Deferred origination costs	–	–	426	400
Goodwill	1,876	1,531	1,365	1,197
Other intangible assets	1,694	1,729	2,090	2,133
Other assets[1]	17,187	16,226	8,708	7,002
Total assets (after cons. of investments in subsidiaries)	**127,467**	**116,485**	**287,394**	**262,170**
Liabilities				
Liabilities for investment contracts	–	–	69,118	61,366
Liabilities for insurance contracts, gross	83,545	77,643	181,348	168,114
Reserves for losses and loss adjustment expenses, gross	61,951	57,473	–	–
Reserves for unearned premiums, gross	18,709	17,523	–	–
Future life policyholder benefits, gross	30	30	78,151	72,151
Policyholder contract deposits and other funds, gross	34	15	25,495	21,498
Reserves for unit-linked insurance contracts, gross	–	–	75,896	72,863
Other insurance liabilities, gross	2,821	2,602	1,806	1,603
Senior debt	730	621	663	657
Subordinated debt	983	953	655	647
Other liabilities[1]	13,986	12,963	15,478	13,387
Total liabilities	**99,244**	**92,180**	**267,263**	**244,171**
Equity				
Shareholders' equity				
Non-controlling interests				
Total equity				
Total liabilities and equity				
Supplementary information				
Additions and capital improvements to property, equipment and intangible assets	412	695	82	172

1 As of December 31, 2020, the Group had USD 2.5 billion of assets held for sale based on agreements signed to sell business of Zurich Insurance plc and Zurich International Life Limited (see note 5). In addition, assets held for sale include land and buildings formerly classified as investment property and held for own use amounting to USD 32 million. In 2019, the Group reclassified USD 2 billion of assets to held for sale based on agreements signed to sell business in the UK and Germany (see note 5). In addition, assets held for sale include land and buildings formerly classified as investment property and held for own use amounting to USD 38 million.

Consolidated financial statements (continued)

Farmers		Group Functions and Operations		Non-Core Businesses		Eliminations		Total	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
818	1,102	5,926	7,983	637	776	(10,914)	(12,426)	11,106	7,880
5,802	5,488	9,986	9,311	5,779	5,834	(9,345)	(8,704)	210,398	193,312
71	49	946	835	139	155	–	–	19,493	18,296
4,150	3,821	5,762	5,467	4,551	4,562	(360)	(412)	161,710	147,507
159	142	–	–	96	233	–	–	14,749	13,261
534	559	–	–	–	–	–	–	5,783	5,935
887	918	3,260	2,991	993	882	(8,985)	(8,291)	8,620	8,274
–	–	17	17	–	3	–	–	43	39
1,086	932	–	–	4,175	3,889	–	–	135,058	126,211
6,887	6,420	9,986	9,311	9,954	9,723	(9,345)	(8,704)	345,456	319,523
2,074	2,142	–	–	2,936	3,072	(30)	(34)	25,523	22,752
142	229	–	–	283	258	(52)	(17)	503	726
1,788	1,811	–	–	–	4	1	2	20,021	19,207
–	–	–	–	–	–	–	–	426	400
819	819	29	63	–	–	–	–	4,089	3,610
383	388	64	83	–	–	–	–	4,230	4,333
1,812	1,854	1,327	1,624	2,664	2,932	(3,753)	(3,383)	27,944	26,256
14,723	**14,765**	**17,332**	**19,063**	**16,475**	**16,766**	**(24,092)**	**(24,562)**	**439,299**	**404,688**
235	225	–	–	153	170	–	–	69,507	61,761
7,484	7,364	–	3	11,182	11,075	(62)	(59)	283,497	264,140
198	316	–	1	1,203	1,404	(26)	(30)	63,327	59,165
21	20	–	–	(2)	10	(4)	(2)	18,724	17,551
2,304	2,200	–	2	3,474	3,376	(1)	(2)	83,958	77,756
3,885	3,867	–	–	2,083	2,101	–	–	31,497	27,480
1,086	932	–	–	4,175	3,889	–	–	81,157	77,684
(10)	29	–	–	248	296	(32)	(25)	4,834	4,505
–	–	10,440	9,709	276	274	(6,638)	(6,113)	5,470	5,148
–	–	9,248	7,726	–	–	(2,580)	(2,475)	8,306	6,852
2,112	2,020	11,724	13,463	4,185	4,325	(14,813)	(15,919)	32,673	30,238
9,831	**9,610**	**31,411**	**30,900**	**15,797**	**15,843**	**(24,093)**	**(24,565)**	**399,453**	**368,139**
								38,278	35,004
								1,568	1,545
								39,846	36,549
								439,299	**404,688**
128	171	92	68	–	–	–	–	715	1,105

Consolidated financial statements (continued)

Table 27.6

Property & Casualty – Commercial and Retail Insurance overview[1]

in USD millions, for the years ended December 31	Commercial Insurance[2]		Retail and SME[2]	
	2020	2019	**2020**	2019
Gross written premiums and policy fees	24,697	23,192	12,454	12,506
Net earned premiums and policy fees	14,663	14,063	11,708	11,590
Insurance benefits and losses, net	10,394	9,691	6,783	6,500
Policyholder dividends and participation in profits, net	8	9	7	6
Total net technical expenses	4,222	3,999	4,188	4,310
Net underwriting result	38	365	730	774
Net investment income	1,251	1,397	481	553
Net capital gains/(losses) and impairments on investments	279	192	26	19
Net non-technical result (excl. items not included in BOP)	(84)	4	(198)	(48)
Business operating profit before non-controlling interests	1,484	1,958	1,039	1,297
Non-controlling interest	(1)	1	87	83
Business operating profit	**1,485**	**1,956**	**953**	**1,214**

1 Commercial and Retail Insurance overview exclude Group Reinsurance.
2 Beginning in 2020, the Group's Commercial Insurance figures includes the North American alternative markets business, which was previously reported within Retail and other; Retail and other has been renamed as Retail and SME accordingly. Alternative markets includes businesses such as Captives, Programs, Crop, and Direct Markets which by nature are closer to how the Group and external stakeholders define commercial insurance. Prior year Commercial and Retail and SME figures have been restated for comparative purposes. Retail business BOP shifted to Commercial amounted to USD 430 million as of December 31, 2019.

Consolidated financial statements (continued)

Property & Casualty – Revenues and non-current assets by region

Table 27.7

in USD millions	Gross written premiums and policy fees from external customers – Total for the years ended December 31 2020	2019	of which Commercial Insurance for the years ended December 31 2020	2019	of which Retail and Other Insurance for the years ended December 31 2020	2019	Property, equipment and intangible assets as of December 31 2020	2019
Europe								
Austria	619	593					77	55
France	313	303					20	1
Germany	2,779	2,531					715	643
Italy	1,533	1,485					41	49
Ireland	412	363					87	85
Portugal	354	337					18	16
Spain	1,302	1,272					314	288
Switzerland	3,347	2,971					839	708
United Kingdom	3,230	2,938					156	172
Rest of Europe	818	685					74	83
Middle East & Africa								
Middle East	131	115					1	–
Europe, Middle East & Africa	14,836	13,592	5,808	5,044	9,028	8,548	2,343	2,099
North America								
Bermuda	–	7					–	–
Canada	775	590					14	17
United States	14,787	14,183					1,111	1,162
North America	15,562	14,780	15,562	14,780	–	–	1,125	1,178
Asia Pacific								
Australia	691	1,015					903	786
Hong Kong	290	307					34	44
Japan	968	874					25	29
Malaysia	367	343					59	61
Rest of Asia Pacific	511	342					277	10
Asia Pacific	2,827	2,881	877	909	1,950	1,973	1,298	930
Latin America								
Argentina	439	570					183	207
Brazil	838	1,182					357	515
Chile	318	366					22	24
Mexico	526	628					146	170
Venezuela	–	2					–	–
Rest of Latin America	167	180					64	58
Latin America	2,289	2,927	812	941	1,476	1,985	773	974
Group Reinsurance								
Group Reinsurance	5	4	–	–	5	4	1	2
Total	**35,518**	**34,184**	**23,059**	**21,674**	**12,459**	**12,510**	**5,540**	**5,184**

Consolidated financial statements (continued)

Life – Revenues and non-current assets by region

Table 27.8

in USD millions	Gross written premiums and policy fees from external customers for the years ended December 31		Life insurance deposits for the years ended December 31		Property, equipment and intangible assets as of December 31	
	2020	2019	**2020**	2019	**2020**	2019
Europe, Middle East & Africa						
Austria	99	107	56	52	27	25
Germany	2,065	2,273	1,565	1,776	73	71
Italy	1,019	871	2,040	2,699	29	38
Ireland[1]	574	577	3,146	3,276	106	88
Spain	1,615	2,090	48	59	1,146	1,083
Switzerland	1,183	1,285	276	241	3	3
United Kingdom	1,549	1,642	90	3,971	127	136
Zurich International[2]	466	513	2,044	1,260	47	58
Rest of Europe, Middle East & Africa	208	206	125	505	5	4
Europe, Middle East & Africa	8,779	9,563	9,390	13,839	1,563	1,506
North America						
United States	505	461	761	778	–	–
North America	505	461	761	778	–	–
Asia Pacific						
Australia	1,580	1,179	26	11	1,349	1,182
Hong Kong	54	56	18	20	–	–
Indonesia	58	62	–	–	2	2
Japan	469	407	–	–	15	15
Malaysia	228	237	68	55	88	91
Rest of Asia Pacific[3]	–	114	–	–	–	–
Asia Pacific	2,389	2,055	112	87	1,454	1,290
Latin America						
Argentina	117	90	92	80	35	41
Brazil	1,145	1,437	2,980	3,246	239	329
Chile	562	1,075	137	168	360	344
Mexico	388	412	192	131	100	113
Uruguay	41	42	–	–	–	–
Colombia	10	–	–	–	–	–
Latin America	2,262	3,056	3,401	3,624	734	827
Total	**13,935**	**15,135**	**13,663**	**18,328**	**3,751**	**3,624**

1 Includes business written under freedom of services and freedom of establishment in Europe, and the related assets.
2 Includes business written through licenses, mainly into Asia Pacific and Middle East, and the related assets.
3 Primarily relates to the quota share agreement with OnePath.

Consolidated financial statements (continued)

28. Interest in subsidiaries

Significant subsidiaries are defined as those subsidiaries which either individually or in aggregate, contribute significantly to gross written premiums, shareholder's equity, total assets or net income attributable to shareholders.

Significant subsidiaries – non-listed

Table 28.1

as of December 31, 2020	Registered office	Voting rights %	Ownership interest %	Nominal value of share capital (in local currency millions)	
Australia					
Cover-More Group Limited	Sydney	100	100	AUD	1,014.2
Zurich Australia Limited	Sydney	100	100	AUD	543.5
Zurich Australian Insurance Limited	Sydney	100	100	AUD	6.6
Zurich Financial Services Australia Limited	Sydney	100	100	AUD	2,845.0
OnePath Life Limited	Sydney	100	100	AUD	1,314.4
OnePath Life Australia Holdings Pty Limited	Sydney	100	100	AUD	2,565.7
Austria					
Zürich Versicherungs-Aktiengesellschaft	Vienna	99.98	99.98	EUR	12.0
Brazil					
Zurich Santander Brasil Seguros e Previdência S.A.[1]	Sao Paulo	51	51	BRL	2,509.2
Zurich Minas Brasil Seguros S.A.	Belo Horizonte	100	100	BRL	2,700.0
Zurich Resseguradora Brasil S.A.	Sao Paulo	100	100	BRL	236.0
Chile					
Chilena Consolidada Seguros de Vida S.A.	Santiago	99.10	99.10	CLP	211,423.0
Zurich Santander Seguros de Vida Chile S.A.[1]	Santiago	51	51	CLP	24,252.9
Germany					
Deutscher Herold Aktiengesellschaft	Köln	100	100	EUR	18.4
Zürich Beteiligungs-Aktiengesellschaft (Deutschland)	Frankfurt	100	100	EUR	152.9
Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft	Köln	100	100	EUR	68.5
Indonesia					
PT Asuransi Adira Dinamika Tbk	Jakarta Selatan	80	80	IDR	3,149,468.5
Ireland					
Zurich Life Assurance plc	Dublin	100	100	EUR	17.5
Zurich Holding Ireland Limited	Dublin	100	100	EUR	0.1
Zurich Insurance plc	Dublin	100	100	EUR	8.2
Italy					
Zurich Investments Life S.p.A.	Milan	100	100	EUR	199.0
Luxembourg					
REX-ZDHL S.C.S. SICAV-SIF	Leudelange	100	100	EUR	1,832.5
Malaysia					
Zurich Life Insurance Malaysia Berhad	Kuala Lumpur	100	100	MYR	579.0
Zurich Holdings Malaysia Berhad	Kuala Lumpur	100	100	MYR	613.4
Mexico					
Zurich Santander Seguros México, S.A.[1]	Mexico City	51	51	MXN	190.0

Consolidated financial statements (continued)

Significant subsidiaries – non-listed (continued)

Table 28.1

as of December 31, 2020	Registered office	Voting rights %	Ownership interest %	Nominal value of share capital (in local currency millions)	
Spain					
Bansabadell Pensiones, E.G.F.P, S.A.	Madrid	50	50	EUR	7.8
Bansabadell Seguros Generales, S.A. de Seguros y Reaseguros	Madrid	50	50	EUR	10.0
Bansabadell Vida S.A. de Seguros y Reaseguros	Madrid	50	50	EUR	43.9
Zurich Latin America Holding S.L. – Sociedad Unipersonal	Barcelona	100	100	EUR	43.0
Zurich Santander Holding (Spain), S.L.[1]	Boadilla del Monte	51	51	EUR	94.3
Zurich Santander Holding Dos (Spain), S.L.[1]	Madrid	51	51	EUR	40.0
Zurich Santander Insurance America, S.L.[1]	Madrid	51	51	EUR	177.0
Zurich Vida, Compañía de Seguros y Reaseguros, S.A. – Sociedad Unipersonal	Madrid	100	100	EUR	56.4
Switzerland					
Zurich Finance Company AG	Zurich	100	100	CHF	0.2
Zurich Insurance Company Ltd	Zurich	100	100	CHF	825.0
Zurich Life Insurance Company Ltd	Zurich	100	100	CHF	60.0
Zürich Rückversicherungs-Gesellschaft AG	Zurich	100	100	CHF	11.7
United Kingdom					
Allied Zurich Holdings Limited	St. Hélier, Jersey	100	100	GBP	547.6
Zurich Assurance Ltd	Cheltenham, England	100	100	GBP	306.1
Zurich Employment Services Limited	Cheltenham, England	100	100	GBP	287.1
Zurich Financial Services (UKISA) Limited	Cheltenham, England	100	100	GBP	1,340.8
Zurich Holdings (UK) Limited	Fareham, England	100	100	GBP	238.8
Zurich International Life Limited	Douglas, Isle of Man	100	100	GBP	123.4
Zurich UK General Services Limited	Fareham, England	100	100	GBP	385.7
United States of America					
Farmers Group, Inc.[2]	Carson City, NV	100	100	USD	0.001
Farmers Reinsurance Company[2]	Woodland Hills, CA	100	100	USD	58.8
Farmers New World Life Insurance Company[2]	Bellevue, WA	100	100	USD	6.6
Zurich American Company, LLC[3]	Wilmington, DE	100	100	USD	0.0
Zurich American Insurance Company	New York, NY	100	100	USD	5.0
Zurich American Life Insurance Company	Schaumburg, IL	100	100	USD	2.5
Zurich Holding Company of America, Inc.[4]	Wilmington, DE	100	100	USD	0.0
ZCM Matched Funding Corp.	George Town, Cayman Islands	100	100	USD	0.00001
Centre Group Holdings (U.S.) Limited	Wilmington, DE	100	100	USD	0.00001
ZCM (U.S.) Limited	Wilmington, DE	100	100	USD	0.00001
Zurich Capital Markets Inc.	Wilmington, DE	100	100	USD	0.00001
Zurich Structured Finance, Inc.	Wilmington, DE	100	100	USD	0.012

1 Entities 100% owned by a ZIG subsidiary which is 51% owned by ZIG.
2 The ownership percentages in Farmers Group, Inc. and its fully owned subsidiaries have been calculated based on the participation rights of Zurich Insurance Group in a situation of liquidation, dissolution or winding up of Farmers Group, Inc.
3 The LLC interests have no nominal value in accordance with the company's certification of formation and local legislation.
4 Shares have no nominal value in accordance with the company's articles of incorporation and local legislation.

Consolidated financial statements (continued)

Due to the nature of the insurance industry, the Group's business is subject to extensive regulatory supervision, and companies in the Group are subject to numerous legal restrictions and regulations. These restrictions may refer to minimum capital requirements or the ability of the Group's subsidiaries to pay dividends imposed by regulators in the countries in which the subsidiaries operate. These are considered industry norms, generally applicable to insurers who operate in the same markets.

For Zurich Santander Insurance America, S.L. and its subsidiaries, and the Bansabadell insurance entities, certain protective rights exist, which, among others, include liquidation, material sale of assets, transactions affecting the legal ownership structure, dividend distribution and capital increase, distribution channel partnerships and governance, which are not quantifiable.

For details on the Group's capital restrictions, see the capital management section in the risk review, which forms an integral part of the consolidated financial statements.

Table 28.2 shows the summarized financial information for each subsidiary that has non-controlling interests that are material to the Group.

Non-controlling interests

Table 28.2

in USD millions, as of December 31	Zurich Santander Insurance America, S.L. and its subsidiaries		Bansabadell insurance entities	
	2020	2019	**2020**	2019
Non-controlling interests percentage	49%	49%	50%	50%
Total Investments	13,853	15,395	12,037	11,023
Other assets	3,264	3,365	1,951	1,672
Insurance and investment contract liabilities[1]	14,534	16,285	11,989	11,046
Other liabilities	1,168	955	521	375
Net assets	**1,416**	**1,520**	**1,477**	**1,275**
Non-controlling interests in net assets	**694**	**745**	**739**	**637**
Total revenues	2,155	3,099	1,706	2,196
Net income after taxes	290	391	166	90
Other comprehensive income	(112)	7	138	15
Total comprehensive income	**178**	**398**	**304**	**105**
Non-controlling interests in total comprehensive income	**87**	**195**	**152**	**52**
Dividends paid to non-controlling interests	99	186	50	38

1 Includes reserves for premium refunds, liabilities for investment contracts, deposits received under ceded reinsurance contracts, deferred front-end fees and liabilities for insurance contracts.

29. Events after the balance sheet date

On January 12, 2021, the Group announced the successful placement of USD 1.75 billion of dated subordinated notes. The notes will be issued by Zurich Finance (Ireland) DAC and will mature in April 2051.

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Report of the statutory auditor

to the General Meeting of Zurich Insurance Group Ltd, Zurich

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Zurich Insurance Group Ltd and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the year ended December 31, 2020, the consolidated balance sheet as of December 31, 2020, the consolidated statement of cash flows and consolidated statement of changes in equity for the year ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 197 to 304 and the audited sections of the risk review on pages 131 to 158) give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group audit materiality: USD 230 million

We concluded full scope audit work at 28 business units in 10 countries. The full scope audit work addressed 69% and 74% of the Group's gross written premiums and policy fees (GWP) and total assets, respectively. In addition, specific procedures were performed on a further 22 business units in 10 countries representing a further 6% and 7% of the Group's GWP and total assets, respectively.

As key audit matters the following areas of focus have been identified:

- Valuation of actuarially determined life insurance assets and liabilities
- Valuation of property and casualty reserves
- Recoverability of goodwill and attorney-in-fact contracts

Report of the statutory auditor (continued)

Audit materiality
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group audit materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group audit materiality	USD 230 million
How we determined it	We determined an amount with reference to the 3 year average of net income before income taxes (NIBIT) and business operating profit (BOP) as appropriate benchmarks for measuring audit materiality. We applied a 5% rule of thumb which resulted in a selected overall audit materiality of USD 230 million.
Rationale for the materiality benchmark applied	We chose NIBIT as a benchmark because, in our view, it is a key indicator for analysts and other external parties, and is a generally accepted benchmark. We also consider BOP as a benchmark because, in our view, it is the benchmark against which the Group's performance is most commonly measured.

We agreed with the Audit Committee that we would report to them misstatements above USD 20 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the business units by us, as the Group engagement team, or by component auditors from PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those business units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements of the Group as a whole.

The Group's business units vary significantly in size and we identified 28 which, in our view, required an audit of their complete financial information, due to their size or risk characteristics. Audits of these business units were performed using materiality levels lower than the materiality level for the Group as a whole, ranging from USD 20 million to USD 150 million, and established by reference to the size of, and risks associated with, the business concerned. Specific audit procedures on certain balances and transactions were performed at a further 22 business units. Together the full scope audits and specific audit procedures accounted for 75% and 81% of Group GWP and total assets, respectively.

Our involvement included various site visits and component auditor working paper reviews across significant business units, together with discussions around audit approach and audit results arising from the work during regular conference calls with the component audit teams.

Report of the statutory auditor (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of actuarially determined life insurance assets and liabilities

Key audit matter

The Group's valuation of the actuarially determined life insurance assets (including deferred policy acquisition costs, deferred origination costs, and present value of future profits) and liabilities (reserves for insurance contracts and deferred front-end fees) is based on complex actuarial methodologies and models and involves comprehensive assumption setting processes with regards to future events. Actuarial assumptions selected by the Group with respect to interest rates, investment returns, mortality, morbidity, longevity, persistency, expenses, stock market volatility and future policyholder behavior and the underlying methodologies and assumptions used may result in material impacts on the valuation of actuarially determined life insurance assets and liabilities.

Specifically, the continued low interest rate environment, which results in reduced investment returns, influences policyholders' behaviors, thereby creating a risk of accelerated amortization of deferred policy acquisition costs and a strain on the sufficiency of reserves for traditional life insurance contracts. The risk has increased by the impact of COVID-19 on the economic environment and policy behavior.

Refer to Notes 4, 8 and 11 to the consolidated financial statements.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of selected key controls over actuarial methodology, integrity of data used in the actuarial valuation, and the assumptions setting processes used by management related to the valuation of actuarially determined life insurance assets and liabilities.

In relation to the particular matters set out opposite, our substantive testing procedures included the following:

- Testing the completeness and accuracy of underlying data to source documentation.
- Involving our life insurance actuarial experts to independently test and challenge management's methodology and the assumptions used (including the impact of COVID-19), with particular consideration of industry studies, the Group's experience and management's liability adequacy testing procedures. We focused on the changes to life actuarial methodology and assumptions during the year and assessed whether the methodologies are in compliance with recognized actuarial practices as well as regulatory and reporting requirements.
- Testing, on a sample basis, the calculation models applied to estimate the actuarially determined life insurance assets and liabilities.

Finally, we assessed the adequacy of the disclosures in the consolidated financial statements by comparing it against the IFRS standards.

Based on the work performed we determined that the methodologies, assumptions and underlying data used in the valuation of actuarially determined life insurance assets and liabilities are reasonable.

Report of the statutory auditor (continued)

Valuation of property and casualty reserves

Key audit matter	How our audit addressed the key audit matter
The valuation of property and casualty loss reserves involves a high degree of subjectivity and complexity. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses at a given date. The Group uses a range of actuarial methodologies to estimate these provisions. Property and casualty loss reserves require significant judgment relating to factors and assumptions such as inflation, claims development patterns and regulatory changes. Specifically, long-tail lines of business, which often have low frequency, high severity claims settlements, are generally more difficult to project and subject to greater uncertainties than those with short-tail, high frequency claims. Further, not all natural catastrophes and other catastrophes (including COVID-19) can be modeled using actuarial methodologies, which increases the degree of judgment needed in estimating property and casualty loss reserves. Refer to Notes 4 and 8 to the consolidated financial statements.	We assessed and tested the design and operating effectiveness of selected key controls over actuarial methodology, integrity of data used in the actuarial valuation, and the assumptions setting and governance processes used by management related to the valuation of property and casualty reserves. In relation to the particular matters set out opposite, our substantive testing procedures included the following: – Testing the completeness and accuracy of underlying claims data utilized by the Group's actuaries in estimating property and casualty loss reserves. – Utilizing information technology audit techniques to analyze claims through claims data plausibility checks and recalculation of claims development patterns. – Involving our actuarial experts to independently test management's property and casualty loss reserve studies and evaluate the reasonableness of the methodology and assumptions used against recognized actuarial practices and industry standards. Our work has included assessing managements methodology and assumptions used for establishing COVID-19 loss reserves. – Performing independent re-projections on selected product lines, particularly focusing on the largest and most uncertain property and casualty reserves. For these product lines our actuarial experts compared their re-projected reserves to those recorded by the Group and assessed whether the recorded reserves were within a reasonable range. – Performing sensitivity testing and evaluated the appropriateness of any significant adjustments made by management relating to property and casualty reserve estimates. Finally, we assessed the adequacy of the disclosures in the consolidated financial statements by comparing it against the IFRS standards. Based on the work performed we determined that the conclusions reached by Management with regard to the valuation of property and casualty reserves are reasonable.

Report of the statutory auditor (continued)

Recoverability of goodwill and attorney-in-fact contracts

Key audit matter

The Group's goodwill is allocated to cash generating units (CGUs) that are identified generally at a segment level. The valuation and recoverability of significant goodwill and attorney-in-fact contracts involves complex judgments and estimates, including projections of future income, terminal growth rate assumptions, and discount rates. There is now greater uncertainty surrounding the projections of future income of certain businesses due to COVID-19. These assumptions and estimates can have a material impact on the valuations and impairment decisions reflected in the consolidated financial statements of the Group.

Refer to Notes 3, 4 and 14 to the consolidated financial statements.

How our audit addressed the key audit matter

We assessed the design effectiveness of selected key controls over terminal growth rate assumptions, and discount rates related to the recoverability of goodwill and attorney-in-fact contracts. In relation to the particular matters set out opposite, our substantive testing procedures included the following:

- Corroborating the justification of the CGUs defined by management for goodwill allocation.
- Testing the Group's discounted cash flow model that supports the value-in-use calculations in order to assess the appropriateness of the methodology applied in the Group's annual impairment assessment.
- Testing the reasonableness of the assumptions used in the impairment assessment including projections of future income, terminal growth rate assumptions, discount rates and sensitivity analyses to determine the impact of those assumptions. We have assessed the impact of COVID-19 on projections of future income.
- Engaging our internal valuation experts to assist in the testing of key assumptions and inputs.

Finally, we assessed the adequacy of the disclosures in the consolidated financial statements by comparing it against the IFRS standards.

Based on the work performed we consider Management's impairment testing including the assumptions used to support the carrying value of goodwill and attorney-in-fact contracts as reasonable.

Report of the statutory auditor (continued)

Other information in the annual report
The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of Zurich Insurance Group Ltd, the audited sections of the risk review on pages 131–158, the Remuneration report of Zurich Insurance Group Ltd and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Alex Finn Audit expert Auditor in charge	Mark Humphreys Audit expert

Zurich, February 10, 2021

Holding company

Contents

Review of the year

Net income after taxes for Zurich Insurance Group Ltd amounted to CHF 2,967 million in 2020 compared with CHF 2,864 million in 2019. The increase was mainly driven by a higher dividend income from its subsidiary Zurich Insurance Company Ltd (ZIC) of CHF 2,900 million in 2020 compared to CHF 2,750 million in 2019, partially offset by an impairment of a subsidiary of CHF 85 million and a donation to a foundation of CHF 26 million in 2020.

Shareholders' equity increased by CHF 224 million to CHF 13,832 million as of December 31, 2020, from CHF 13,608 million as of December 31, 2019. The increase was mainly driven by net income after taxes for the year as well as by capital contributed through the issuance of new shares to employees out of contingent capital, partially offset by the dividend of CHF 2,968 million paid in 2020.

The Board of Directors proposes to the Annual General Meeting, which is to be held on April 7, 2021, to distribute a dividend from available earnings for 2020 of CHF 20.00 less 35 percent Swiss withholding tax per share.

Holding company (continued)

Income statements

in CHF thousands, for the years ended December 31	Notes	**2020**	2019
Other operating income		28	44
Other operating expenses	4	(46,355)	(11,311)
Depreciation and valuation adjustments to non-current assets	8	(85,000)	–
Financial income	5	3,112,940	2,887,637
Dividend income		*2,978,298*	*2,753,243*
Interest income		*134,346*	*134,380*
Other financial income		*295*	*14*
Financial expenses		(173)	(31)
Direct taxes	6	(14,008)	(12,833)
Net income after taxes		**2,967,431**	**2,863,506**

Holding company (continued)

Balance sheets

Assets

in CHF thousands, as of December 31	Notes	2020	2019
Current assets			
Cash and cash equivalents	17	334,132	2,423
Receivables from subsidiaries		–	921
Receivables from third parties		92	31,375
Accrued income and prepaid expenses from subsidiaries		91,427	91,429
Total current assets		425,651	126,148
Non-current assets			
Subordinated loans to subsidiaries	7	2,132,405	2,132,405
Investments in subsidiaries	8	11,283,068	11,368,069
Total non-current assets		13,415,474	13,500,474
Total assets		**13,841,124**	**13,626,622**

Liabilities and shareholders' equity

in CHF thousands, as of December 31	Notes	2020	2019
Short-term liabilities			
Other liabilities to subsidiaries		–	16,258
Other liabilities to third parties		7,705	920
Other liabilities to shareholders		1,581	1,480
Accrued expenses and deferred income to third parties		–	15
Total short-term liabilities		9,286	18,673
Total liabilities		9,286	18,673
Shareholders' equity (before appropriation of available earnings)			
Share capital	10	15,046	14,961
Legal reserves:		1,194,968	802,696
Capital contribution reserve	*11*	*509,990*	*287,506*
General capital contribution reserve		*251,979*	*29,495*
Reserve for treasury shares (indirectly held via subsidiaries)	*12*	*258,011*	*258,011*
General legal reserve		*684,978*	*515,190*
General legal reserve		*341,140*	*341,140*
Reserve for treasury shares (indirectly held via subsidiaries)	*12*	*343,838*	*174,050*
Free reserve	13	346,869	344,643
Retained earnings:			
As of January 1		*12,445,649*	*12,729,702*
Dividends paid		*(2,968,336)*	*(2,816,854)*
Cancellation of treasury shares (directly held by the Company)	*10*	–	*(547,993)*
Net income after taxes		*2,967,431*	*2,863,506*
Allocation from/to reserve for treasury shares (indirectly held via subsidiaries)		*(169,788)*	*217,288*
Retained earnings, as of December 31		12,274,955	12,445,649
Total shareholders' equity (before appropriation of available earnings)		13,831,838	13,607,949
Total liabilities and shareholders' equity		**13,841,124**	**13,626,622**

Notes to the financial statements

1. General information

Zurich Insurance Group Ltd (the Company) is a corporation domiciled in Zurich, Switzerland, and its shares are listed on the SIX Swiss Exchange. It was incorporated on April 26, 2000, and is the holding company of the Zurich Insurance Group with the principal activity of holding subsidiary companies. The Company does not employ staff, as employees work in a joint capacity for Zurich Insurance Company Ltd (ZIC).

2. Basis of presentation

Zurich Insurance Group Ltd presents its financial statements in accordance with Swiss law.

All amounts in these financial statements including the notes are shown in Swiss franc thousands, rounded to the nearest thousand, unless otherwise specified. All variances are calculated using the actual figures rather than the rounded amounts.

3. Summary of significant accounting policies

a) Exchange rates

Unless otherwise stated, assets and liabilities expressed in currencies other than Swiss francs are translated at year end exchange rates. Revenues and expenses are translated using the exchange rate at the date of the transaction. Net unrealized exchange losses are recorded in the income statements and net unrealized exchange gains are deferred until realized.

b) Investments in subsidiaries

Investments in subsidiaries are equity interests, held on a long-term basis for the purpose of the Company's business activities. Each investment in subsidiaries is valued individually and carried at its cost less adjustments for impairments.

c) Accrued income

Income is accrued for interest which is earned but not yet due for payment at the end of the reporting period.

d) Reserves for treasury shares (indirectly held via subsidiaries)

Reserves for treasury shares are accounted for at the acquisition costs of these shares held by the respective subsidiary.

e) Treasury shares (directly held by the Company)

All treasury shares held directly by the Company as of December 31, 2018, were cancelled upon approval by the Annual General Meeting of April 3, 2019, and completion of the share capital reduction process in June 2019.

4. Other operating expenses

Other operating expenses for the year were CHF 46.4 million compared with CHF 11.3 million in 2019. The increase of CHF 35.0 million is mainly driven by a donation of CHF 26.0 million to the Z Zurich Foundation. No such contribution was paid in 2019. In addition, directors' fees of CHF 5.4 million and CHF 4.7 million for the years ended December 31, 2020, and December 31, 2019, respectively, are included in this line item. Overhead expenses increased by CHF 5.6 million to CHF 9.1 million in 2020. Furthermore, fees paid to the Swiss Financial Market Supervisory Authority of CHF 3.0 million and CHF 2.5 million are included for the years ended December 31, 2020, and December 31, 2019. The line item also includes stamp duty of CHF 2.2 million on the issue of new shares in 2020, whereas in 2019 no new shares were issued.

5. Financial income

Financial income for the year 2020 consists of dividend income of CHF 2,978 million mainly received from the Company's subsidiary ZIC and interest income of CHF 134.3 million on the subordinated loan with ZIC. This interest income is recognized when Zurich Insurance Company Ltd declares its intention to pay a dividend to the Company.

Holding company (continued)

6. Direct taxes

Direct taxes include Swiss income and capital tax expense.

7. Subordinated loans to subsidiaries

Subordinated loans include a loan to Zurich Insurance Company Ltd of CHF 2,132 million as of December 31, 2020, and December 31, 2019, respectively.

8. Investments in subsidiaries

Investments in subsidiaries

as of December 31	2020			2019		
	Carrying value[1]	Voting rights in %	Capital rights in %	Carrying value[1]	Voting rights in %	Capital rights in %
Zurich Insurance Company Ltd	11,088,466	100.0	100.0	11,088,466	100.0	100.0
Zurich Financial Services EUB Holdings Limited	36,436	99.9	99.9	121,436	99.9	99.9
Farmers Group, Inc.	157,992	12.1	4.6	157,992	12.1	4.6
Allied Zurich Limited	175	100.0	100.0	175	100.0	100.0
Total	**11,283,068**			**11,368,069**		

1 in CHF thousands.

The investment in Zurich Financial Services EUB Holdings Limited was impaired by CHF 85 million in 2020, mainly due to a dividend payment.

In addition to the above mentioned directly held subsidiaries, the Company indirectly owns additional subsidiaries primarily through Zurich Insurance Company Ltd. Information regarding indirectly owned subsidiaries is included on pages 301 to 302 of this Annual Report.

9. Commitments and contingencies

Zurich Insurance Group Ltd has provided unlimited guarantees in support of entities belonging to the Zurich Capital Markets group of companies. The Company has also entered into support agreements and guarantees for the benefit of certain of its subsidiaries. They amounted to CHF 922 million as of December 31, 2020, and CHF 1,068 million as of December 31, 2019. The decrease is mainly due to a reduction of a funding agreement in the amount of GBP 70 million (CHF 85 million) with a Group company. Furthermore, the Company has issued an unlimited guarantee in favor of the Institute of London Underwriters in relation to business transferred to Zurich Insurance plc from a Group company which no longer has insurance licenses.

Zurich Insurance Group Ltd is not aware of any event of default that would require it to satisfy any of these guarantees or to take action under a support agreement.

10. Share capital

a) Changes to the share capital

During 2018, Zurich Insurance Group Ltd had repurchased shares via a public share buy-back program for cancellation purposes. The reduction of the share capital of Zurich Insurance Group Ltd from 151,348,027 to 149,608,027 fully paid registered shares with a nominal value of CHF 0.10 each through cancellation of the repurchased own shares was approved by the Annual General Meeting of April 3, 2019, and completed in June 2019.

At the Annual General Meeting of April 1, 2020, the shareholders approved changes to the authorized and contingent share capital, which are set out below. Since April 2020, the authorized share capital (Art. 5bis 1 of the Articles of Association) is comprised of 44,882,400 (prior to April 2020, 45,000,000) shares and the contingent share capital for Financial Instruments (Art. 5ter 1a of the Articles of Association; term as defined in section b) below) is comprised of 29,921,600 (prior to April 2020, 30,000,000) shares. As of December 31, 2020, the contingent share capital for Group employees (Art. 5ter 2a of the Articles of Association) is comprised of 4,095,092 shares after a total of 852,140 shares were issued to Group employees out of the contingent capital during the year 2020. During the year 2019, no shares were issued to Group employees out of the contingent capital.

Holding company (continued)

b) Authorized share capital (as specified in Article 5bis of the Articles of Association)

On April 1, 2020, the Annual General Meeting approved a renewal of the authorized share capital for another two years (from April 2020 to April 1, 2022) and other changes to the authorized share capital, which are set out below. Since April 2020, the Board of Zurich Insurance Group Ltd is authorized to increase the share capital of Zurich Insurance Group Ltd by an amount not exceeding CHF 4,488,240 (prior to April 2020, 4,500,000) by issuing up to 44,882,400 (prior to April 2020, 45,000,000) fully paid registered shares with a nominal value of CHF 0.10 each until April 1, 2022. An increase in partial amounts is permitted. The Board would determine the date of issue of any such new shares, the issue price, type of payment, conditions for exercising subscription rights, and the commencement of entitlement to dividends.

The Board may issue such new shares by means of a firm underwriting by a banking institution or syndicate with a subsequent offer of those shares to current shareholders. The Board may allow the expiry of subscription rights which have not been exercised, or it may place these rights as well as shares, the subscription rights of which have not been exercised, at market conditions.

The Board is further authorized to restrict or exclude the subscription rights of shareholders and to allocate them to third parties, Zurich Insurance Group Ltd or one of its Group companies, up to a maximum of 14,960,800 (prior to April 2020, 15,000,000) shares, if the shares are to be used:

- for the take-over of an enterprise, of parts of an enterprise or of participations or for investments by Zurich Insurance Group Ltd or one of its Group companies, or the financing including re-financing of such transactions; or
- for the purpose of expanding the scope of shareholders in connection with the quotation of shares on foreign stock exchanges or issuance of shares on the national or international capital markets (including private placements to one or more selected investors); or
- for the conversion of loans, bonds, similar debt instruments, equity-linked instruments or other financial market instruments (collectively, the 'Financial Instruments') issued by Zurich Insurance Group Ltd or one of its Group companies; or
- for the improvement of the regulatory capital position, and since April 2020, and/or the rating capital position of Zurich Insurance Group Ltd or one of its Group companies in a fast and expeditious manner.

Until April 1, 2022, the total of new shares issued from (i) authorized share capital where the subscription rights were restricted or excluded, and (ii) contingent share capital in connection with Financial Instruments where the advance subscription rights were restricted or excluded, may not exceed 14,960,800 (prior to April 2020, 30,000,000) new shares.

c) Contingent share capital (as specified in Article 5ter of the Articles of Association)

Financial Instruments

At the Annual General Meeting of April 1, 2020, the shareholders also approved changes to the contingent share capital. Since April 2020, the share capital of Zurich Insurance Group Ltd may be increased by an amount not exceeding CHF 2,992,160 (prior to April 2020, 3,000,000) by issuing of up to 29,921,600 (prior to April 2020, 30,000,000) fully paid registered shares with a nominal value of CHF 0.10 each by the voluntary or mandatory exercise of conversion and/or option rights which are granted in connection with the issuance of Financial Instruments by Zurich Insurance Group Ltd or one of its Group companies or by mandatory conversion of Financial Instruments issued by the Zurich Insurance Group Ltd or one of its Group companies, that allow for contingent mandatory conversion into shares of Zurich Insurance Group Ltd, or by exercising option rights which are granted to the shareholders. The subscription rights are excluded. The then-current owners of the Financial Instruments shall be entitled to subscribe for the new shares. The conversion and/or option conditions are to be determined by the Board.

The Board is authorized, when issuing Financial Instruments to restrict or exclude the advance subscription rights in cases where they are issued:

- for the financing including re-financing of a take-over of an enterprise, of parts of an enterprise, or of participations or of investments by Zurich Insurance Group Ltd or one of its Group companies; or
- on national or international capital markets (including private placements to one or more selected investors); or
- for the improvement of the regulatory capital position, and since April 2020, and/or the rating capital position of Zurich Insurance Group Ltd or one of its Group companies in a fast and expeditious manner.

If the advance subscription rights are restricted or excluded by a resolution of the Board, the following applies: the Financial Instruments are to be issued at prevailing market conditions (including standard dilution protection clauses in accordance with market practice) and the setting of the conversion or issue price of the new shares must take due account of the stock market price of the shares and/or comparable instruments priced by the market at the time of issue or time of conversion.

Holding company (continued)

The conversion rights may be exercisable during a maximum of ten years and option rights during a maximum of seven years from the time of the respective issue; contingent conversion features may remain in place indefinitely.

Since April 2020, the total of new shares issued from (i) authorized share capital where the subscription rights were restricted or excluded, and (ii) contingent share capital in connection with Financial Instruments where the advance subscription rights were restricted or excluded, may not exceed 14,960,800 (prior to April 2020, 30,000,000) new shares until April 1, 2022.

Employee participation

On January 1, 2020, the contingent share capital, to be issued to employees of Zurich Insurance Group Ltd and its subsidiaries, amounted to CHF 494,723.20 or 4,947,232 fully paid registered shares with a nominal value of CHF 0.10 each. On January 1, 2019, the contingent share capital, to be issued to employees of Zurich Insurance Group Ltd and its subsidiaries, amounted to CHF 494,723.20 or 4,947,232 fully paid registered shares with a nominal value of CHF 0.10 each.

During 2020, 852,140 shares were issued to Group employees out of the contingent capital. During 2019, no shares were issued to Group employees out of the contingent capital. As of December 31, 2020 and December 31, 2019, the remaining contingent share capital available for issuance to Group employees amounted to CHF 409,509.20 and CHF 494,723.20, respectively and 4,095,092 and 4,947,232 fully paid registered shares with a nominal value of CHF 0.10 each, respectively. Subscription rights as well as advance subscription rights of the shareholders are excluded. The issuance of new shares or respective option rights to employees is subject to one or more regulations to be issued by the Board and taking into account performance, functions, levels of responsibility and criteria of profitability. New shares or option rights may be issued to employees at a price lower than that quoted on the stock exchange.

11. Capital contribution reserve

Capital contribution reserve

in CHF thousands	2020	2019
As of January 1	287,506	287,506
Transfer to free reserve (adjustment capital contribution reserve)	(2,226)	–
Additional paid-in capital on share-based payment transactions	224,709	–
As of December 31	**509,990**	**287,506**

12. Reserves for treasury shares (indirectly held via subsidiaries)

These reserves correspond to the purchase value of all Zurich Insurance Group Ltd shares held by companies of the Zurich Insurance Group as shown in the table below.

Reserves for treasury shares (indirectly held via subsidiaries)

	Number of shares 2020	Purchase value 2020[1]	Number of shares 2019	Purchase value 2019[1]
As of January 1	1,549,714	432,061	2,342,432	651,093
Purchases during the year	510,592	206,630	272,874	106,310
Sales during the year	(96,200)	(36,842)	(1,065,592)	(325,342)
As of December 31	**1,964,106**	**601,848**	**1,549,714**	**432,061**
Thereof held in capital contribution reserve				
As of January 1	1,057,654	258,011	1,064,728	259,755
As of December 31	**1,057,654**	**258,011**	**1,057,654**	**258,011**
Thereof held in general legal reserve				
As of January 1	492,060	174,050	1,277,704	391,338
As of December 31	**906,452**	**343,838**	**492,060**	**174,050**
Average purchase price, in CHF		405		390
Average selling price, in CHF		296		210

1 in CHF thousands.

Holding company (continued)

13. Free reserve

Free reserve

in CHF thousands	2020	2019
As of January 1	344,643	344,643
Transfer from capital contribution reserve	2,226	–
As of December 31	**346,869**	**344,643**

14. Shareholders

According to information available as of December 31, 2020, Zurich Insurance Group Ltd is not aware of any person or institution, other than BlackRock, Inc., New York, (>5 percent of the shares) and The Capital Group Companies, Inc., Los Angeles, (>5 percent of the shares) which, directly or indirectly, had an interest as a beneficial owner in shares, option rights and/or conversion rights relating to shares of Zurich Insurance Group Ltd exceeding the relevant thresholds prescribed by law.

15. Remuneration of the Board of Directors and the Executive Committee

The information required by articles 14–16 of the Ordinance Against Excessive Compensation, which prevails over article 663bbis of the Swiss Code of Obligations, is disclosed and audited in the remuneration report on pages 94 to 123 of this Annual Report.

16. Shareholdings of the Board of Directors and the Executive Committee

The information on share and share option holdings of Directors and of the members of the Executive Committee (ExCo), who held office as of December 31, 2020, as required by article 663c paragraph 3 and article 959c paragraph 2 cif 11 of the Swiss Code of Obligations is included and audited in the remuneration report on pages 94 to 123 of this Annual Report.

17. Supplementary information

Cash and cash equivalents of CHF 334.1 million include restricted cash of CHF 0.3 million as of December 31, 2020, compared to cash and cash equivalents of CHF 2.4 million and thereof restricted cash of CHF 0.3 million in the previous year. The increase in cash and cash equivalents of CHF 331.7 million is mainly driven by the receipt of the dividend and interest income of CHF 3,113 million and the cash received following the issuance of new shares out of contingent capital, partially offset by the dividend of CHF 2,968 million paid in 2020. CHF 333.7 million of cash and cash equivalents (2019: CHF 2.0 million) are cash and cash equivalents from subsidiaries.

Holding company (continued)

Proposed appropriation of available earnings

as of December 31	**2020**	2019
Registered shares eligible for dividends[1]		
Eligible shares	150,460,167	149,608,027

1 These figures are based on the share capital issued on December 31, 2020, and may change depending on the number of shares issued on April 12, 2021. Treasury shares are not entitled to dividends and will not be taken into account.

The Board of Directors proposes to the Annual General Meeting to be held on April 7, 2021, to appropriate the available earnings for 2020 as follows:

in CHF thousands	**Available earnings**
Available earnings	
As of January 1, 2020	*12,445,649*
Dividends paid	*(2,968,336)*
Net income after taxes	*2,967,431*
Allocation to reserve for treasury shares (indirectly held via subsidiaries)	*(169,788)*
Available earnings, as of December 31, 2020	12,274,955

The Board of Directors proposes a dividend of CHF 20.00 before tax per share out of the available earnings for 2020[1]:

in CHF thousands	**Available earnings**
Appropriation of available earnings	
As of January 1, 2021	12,274,955
Dividend payment out of available earnings[1]	(3,009,203)
Balance carried forward[1]	9,265,752

1 These figures are based on the share capital issued on December 31, 2020, and may change depending on the number of shares issued on April 12, 2021. Treasury shares are not entitled to dividends and will not be taken into account.

If this proposal is approved, the dividend, less 35 percent Swiss withholding tax, will be paid from April 13, 2021.

Zurich, February 10, 2021

On behalf of the Board of Directors of Zurich Insurance Group Ltd

Michel M. Liès

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Report of the statutory auditor

Report of the statutory auditor

to the General Meeting of Zurich Insurance Group Ltd, Zurich

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Zurich Insurance Group Ltd (the Company), which comprise the income statement for the year ended December 31, 2020, balance sheet as of December 31, 2020, and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 313 to 319) as of December 31, 2020 comply with Swiss law and the Company's articles of association.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall audit materiality: CHF 135 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Recoverability of carrying value of investments in subsidiaries

Report of the statutory auditor (continued)

Audit Materiality
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall audit materiality	CHF 135 million
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the relevant benchmark for a holding company with no own business activities, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 13.5 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope
We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgments were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report of the statutory auditor (continued)

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of carrying value of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
We consider the investments in subsidiaries to be a key audit matter not only due to the judgment involved but also based on the magnitude of CHF 11.3 billion, which makes up approximately 82% of the Company's total assets. Investments in subsidiaries are carried at cost less necessary impairments and valued on an individual basis. Management assesses whether there are any impairments in the carrying value of the investments in subsidiaries. The determination whether an investment in subsidiary needs to be impaired includes assumptions about the profitability of the underlying business and growth, which involves management's judgment. We refer to note 3, para b) ("Summary of significant accounting policies") and note 8 ("Investments in subsidiaries") to the financial statements 2020.	We obtained an understanding of management's process and controls, and assessed and tested the design and operating effectiveness of a selected key control over the recoverability of the carrying value of investments in subsidiaries. In relation to the particular matters set out opposite, our testing procedures included the following: – Assessed the appropriateness of the Company's impairment testing methodology. – Tested the mathematical accuracy of management's calculations. – Tested the reasonableness of the assumptions used in the impairment assessment including projections of future income, terminal growth rate assumptions and discount rates. – Re-performed management's impairment test on the carrying value of each investment in subsidiary, and challenged the impairment decisions taken. Based on the work performed we consider management's impairment testing including the assumptions used to support the carrying value of investments in subsidiaries as reasonable.

Report of the statutory auditor (continued)

Responsibilities of the Board of Directors for the financial statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of association, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of association. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Mark Humphreys Audit expert Auditor in charge	Ray Kunz Audit expert

Zurich, February 10, 2021

Glossary

Group

Book value per share
is a measure that is calculated by dividing shareholders' equity by the number of shares issued less the number of treasury shares as of the period end.

Business operating profit (BOP)
is the Group's internal performance measure, on which the Group manages all of its business units. It indicates the underlying performance, after non-controlling interests, by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains/(losses) and impairments on investments (except for certain non-insurance operations included in Non-Core Businesses, investments in hedge funds as at fair value through profit or loss, certain securities held for specific economic hedging purposes and policyholders' share of investment results for the life businesses) and non-operational foreign exchange movements. Significant items arising from special circumstances, including restructuring charges, legal matters or large one-off regulatory projects outside the ordinary course of business, gains and losses on divestment of businesses, certain business combination integration costs and impairments of goodwill are also excluded from BOP. **Business operating profit before interest, depreciation and amortization (BOPBIDA)** excludes interest expense on debt, depreciation and impairments of property and equipment and amortization and impairments of intangible assets. BOPBIDA includes amortization of deferred policy acquisition costs, deferred origination costs and distribution agreements. Please refer to the 'consolidated financial statements, Note 27. Segment information, Table 27.4' for further information.

Business operating profit (after-tax) return on shareholders' equity (BOPAT ROE)
indicates the level of BOP relative to resources provided by shareholders. It is calculated as BOP, annualized on a linear basis and adjusted for taxes, divided by the average value of shareholders' equity, adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges, using the value at the beginning and end of each quarter within the period. The average shareholders' equity for each quarter is then added together and divided by the number of quarters. If the dividend is approved at the Annual General Meeting within the first ten working days in April, then the dividend is deducted from the second quarter opening shareholders' equity. Please refer to the 'supplementary information (unaudited)/ROE, EPS and BVPS' for further information.

Cash remittances
is the net extraction of capital from each of the business units (P&C, Life, Farmers and Non-Core Business) to Group Functions & Operations (GF&O) and after all central costs in GF&O. Cash remittances are typically extracted from subsidiaries by way of dividends, capital reductions, repayment of intragroup debt and reinsurance profits.

Investments
Total investments in the consolidated balance sheets include **Group investments** and investments for unit-linked contracts. Group investments are those for which the Group bears part or all of the investment risk. They also include investments related to investment contracts with discretionary participation features. Average invested assets include investment cash, but exclude cash collateral received for securities lending. The Group manages its diversified investment portfolio to optimize benefits for both shareholders and policyholders while ensuring compliance with local regulatory and business requirements under the guidance of the Group's Asset/Liability Management and Investment Committee. **Investments for unit-linked contracts** include investments where the policyholder bears the investment risk, and are held for liabilities related to unit-linked investment contracts and reserves for unit-linked contracts. They are managed in accordance with the investment objectives of each unit-linked fund. The investment result for unit-linked products is passed to policyholders through a charge to policyholder dividends and participation in profits.

Like-for-like
is the change in the underlying metric over a period of time and after removing the impact of foreign exchange movements and the impact of acquisitions and disposals.

Net savings
are based on savings calculated on the total direct cash expenses of the Group including unallocated loss adjustment expenses (ULAE) after allowance for inflation and incremental investment.

Return on shareholders' equity (ROE)
is a measure that indicates the level of profit or loss relative to resources provided by shareholders. It is calculated as net income after taxes attributable to shareholders, annualized on a linear basis, divided by the average value of shareholders' equity, adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges, using the value at the beginning and end of each quarter within the period. The average shareholders' equity for each quarter is then added together and divided by the number of quarters. If the dividend is approved at the Annual General Meeting within the first ten working days in April, then the dividend is deducted from the second quarter opening shareholders' equity. Please refer to the 'supplementary information (unaudited)/ROE, EPS and BVPS' for further information.

Zurich Economic Capital Model (Z-ECM)
is an internal economic capital model which defines the Z-ECM capital required to protect the Group's policyholders in order to meet all of their claims with a confidence level of 99.95 percent over a one-year time horizon. The Z-ECM ratio is defined as the ratio of the Group's available financial resources defined under the Z-ECM to the required capital under the Z-ECM model. Please refer to the 'Annual Report/risk review' for further information.

Glossary (continued)

Property & Casualty

The following Property & Casualty (P&C) measures are net of reinsurance.

Net underwriting result
is calculated as the difference between net earned premiums and policy fees and the sum of net insurance benefits and losses and net technical expenses. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Total net technical expenses
includes underwriting and policy acquisition costs, as well as the technical elements of administrative and other operating expenses, amortization of intangible assets, interest credited to policyholders and other interest, and other income. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Combined ratio
is a measure that indicates the level of claims and net technical expenses during the period, relative to net earned premiums and policy fees. It is calculated as the sum of the loss ratio and the expense ratio. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Loss ratio
is a measure that indicates the level of claims during the period relative to net earned premiums and policy fees. It is calculated as insurance benefits and losses net, which include incurred claims, both paid and reserved, and claims handling costs, divided by net earned premiums and policy fees. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Expense ratio
is a measure that indicates the level of technical expenses during the period relative to net earned premiums and policy fees. It is calculated as the sum of net technical expenses and policyholder dividends and participation in profits, divided by net earned premiums and policy fees. Please refer to the 'Supplementary information (unaudited)/P&C by segment & customer units' for further information.

Net non-technical result
includes expenses or income not directly linked to insurance operating performance, such as gains/losses on foreign currency translation and interest expense on debt. It includes the impact of financial market volatility and other non-operational variables that distort the ongoing business performance. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Life

Embedded value (EV) principles
is a methodology using a 'bottom-up' market consistent approach, which explicitly allows for market risk. In particular, asset and liability cash flows are valued using risk discount rates consistent with those applied to similar cash flows in the capital markets. Options and guarantees are valued using market consistent models calibrated to observable market prices. Please refer to the 'embedded value report/ embedded value methodology' for further information.

Insurance deposits
are deposits, similar to customer account balances, not recorded as revenues. However, the fees charged on insurance deposits are recorded as revenue within gross written premiums and policy fees. These deposits arise from investment contracts and insurance contracts that are accounted for under deposit accounting. They represent the pure savings part, which is invested.

New business annual premium equivalent (APE)
is a sales index that reflects the volume of life new business sales during the period. APE is calculated as the value of new annual premiums plus 10 percent of new single premiums sold in the period and is stated before the effect of non-controlling interests. **Present value of new business premiums (PVNBP)** is calculated as the present value of new business premiums discounted at the risk-free rate, before the effect of non-controlling interests.

New business margin (NBM)
is a measure that reflects the profitability of new business and is calculated as the new business value divided by APE after the effect of non-controlling interests.

New business value (NBV), after tax
is a measure that reflects the value added by new business written during the period, including allowances for frictional costs, time value of options and guarantees, and the cost of non-market risk, and is valued at the point of sale. It is calculated as the present value of the projected after-tax profit from life insurance contracts sold during the period using a valuation methodology consistent with the EV principles, after the effect of non-controlling interests.

Glossary (continued)

Farmers

Gross management result
is a measure of Farmers Management Services calculated as management fees and other related revenues minus management and other related expenses, including amortization and impairments of intangible assets. Please refer to the 'supplementary information (unaudited)/ Farmers' for further information.

Managed gross earned premium margin
is a measure calculated as the gross management result of Farmers Management Services divided by the gross earned premiums of the Farmers Exchanges, which are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges.

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Financial calendar

For more information see page 35 of this report or website:
www.zurich.com/en/investor-relations/calendar

Disclaimer and cautionary statement

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Imprint

The Annual Report is published in English and German, with the financial statements in English only. In the event of inconsistencies in the German translation, the English original version shall prevail.

Our reporting consists of the Annual Report, which is divided into the Group overview, the governance, the risk review, the non-financial statements and the financial review, and which contains the annual financial statements (Holding Company) and the consolidated financial statements. With regards to content, the management report consists of the aforementioned reports excluding the remuneration report.

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