Zurich Insurance Group

ZURICH®

Rapport de gestion 2013

A propos de Zurich

Zurich est un assureur multi-branches de premier plan au service de ses clients sur les marchés internationaux et locaux. Plus de 55 000 collaborateurs fournissent un large éventail de produits en assurance dommages et assurance-vie, ainsi que des services pour les particuliers, les petites entreprises, les entreprises de taille moyenne et les grands comptes, parmi lesquels figurent des entreprises multinationales, dans plus de 170 pays.

Zurich en bref

Une présence mondiale

Nous opérons à l'échelle mondiale et locale, en fonction des besoins de nos clients.

1 Amérique du Nord
En Amérique du Nord, Zurich est une compagnie d'assurance dommages de premier ordre au service de multinationales, de grandes entreprises et de PME. Elle propose également des produits couvrant les risques non conventionnels et des programmes d'assurance spécifiques.

2 Amérique latine
Zurich opère en Argentine, au Brésil, au Chili, au Mexique, en Uruguay et au Venezuela.

3 Europe
Zurich est solidement implantée en Allemagne, en Italie, en Espagne, en Suisse et au Royaume-Uni et a une présence significative dans d'autres pays.

4 Moyen-Orient & Afrique
Nous sommes présents en divers points de la région avec des activités clés au Moyen-Orient, en Afrique du Sud, au Maroc et en Turquie.

5 Asie-Pacifique
Zurich est implantée en Australie, en Chine, à Hong Kong, en Indonésie, au Japon, en Malaisie, en Nouvelle-Zélande, à Singapour et à Taïwan.

Notre couverture
Parler à nos clients: chez Zurich, nous nous appuyons sur les commentaires de nos clients et les analyses du marché pour remodeler nos activités.

Pour plus d'informations sur Zurich, rendez-vous sur: **www.zurich.com**

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Nos segments

General Insurance

Activité
Assurance dommages et services

Segments de marché
Particuliers, petites et moyennes entreprises et grands comptes

Canaux de distribution
Agents, banques, courtiers, vente directe

Présence géographique
au niveau mondial

2 859 millions d'USD
Bénéfice d'exploitation

36 438 millions d'USD
Primes émises brutes et chargements de gestion

Global Life

Activité
Solutions de prévoyance, d'épargne et de placement

Segments de marché
Particuliers, petites et moyennes entreprises et grands comptes

Canaux de distribution
Agents, banques, courtiers, conseillers en avantages du personnel, vente directe

Présence géographique
au niveau mondial

1 272 millions d'USD
Bénéfice d'exploitation

27 095 millions d'USD
Primes émises brutes, chargements de gestion et dépôts à caractère de placement

Farmers

Activité
Services de gestion liés à l'assurance dommages

Segments de marché de Farmers Exchanges[1]
Particuliers et petites et moyennes entreprises

Canaux de distribution de Farmers Exchanges[1]
Agents, vente directe

Présence géographique
Etats-Unis

1 516 millions d'USD
Bénéfice d'exploitation

2 810 millions d'USD
Commissions de gestion et autres produits assimilés

[1] Toute référence faite aux «Farmers Exchanges» désigne Farmers Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange ainsi que leurs filiales et sociétés affiliées. Les trois Exchanges sont des compagnies d'assurances organisées de façon coopérative (interinsurance exchanges) domiciliées en Californie, détenues par leurs assurés et dont la gouvernance est supervisée par leurs Conseils des gouverneurs (Board of Governors).

Aperçu du Groupe
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Group performance review
Financial information

Aperçu de la performance

Chiffres clés (non audités)

en millions d'USD, pour les exercices arrêtés au 31 décembre, sauf indication contraire	2013	2012[1]	Variation[2]
Bénéfice d'exploitation	**4 680**	4 084	15%
Bénéfice net attribuable aux actionnaires	**4 028**	3 887	4%
Primes émises brutes et chargements de gestion de General Insurance	**36 438**	35 610	2%
Primes émises brutes, chargements de gestion et dépôts à caractère de placement de Global Life	**27 095**	30 259	(10%)
Commissions de gestion et autres produits assimilés de Farmers Management Services	**2 810**	2 846	(1%)
Primes émises brutes et chargements de gestion de Farmers Re	**4 045**	4 361	(7%)
Bénéfice d'exploitation de General Insurance	**2 859**	2 112	35%
Ratio combiné de General Insurance	**95,5%**	98,4%	2,9 pts
Bénéfice d'exploitation de Global Life	**1 272**	1 351	(6%)
Equivalent de primes annuelles affaires nouvelles (APE) de Global Life[3]	**4 418**	4 030	10%
Marge bénéficiaire des affaires nouvelles, après impôts (en % de l'APE), de Global Life[3]	**28,3%**	22,1%	6,2 pts
Valeur des affaires nouvelles (après impôts) de Global Life[3]	**1 251**	890	41%
Bénéfice d'exploitation de Farmers	**1 516**	1 402	8%
Résultat brut de gestion de Farmers Management Services	**1 353**	1 366	(1%)
Marge sur les primes acquises brutes sous gestion de Farmers Management Services	**7,2%**	7,3%	(0,1 pts)
Placements moyens du Groupe	**208 431**	204 066	2%
Résultat net des placements du Groupe	**7 398**	8 983	(18%)
Rendement net des placements du Groupe[4]	**3,5%**	4,4%	(0,9 pts)
Rendement total des placements du Groupe[4]	**1,3%**	7,0%	(5,7 pts)
Fonds propres attribuables aux actionnaires	**32 503**	34 505	(6%)
Ratio de capitalisation observé à l'occasion du Test suisse de solvabilité[5]	**206%**	185%	21 pts
Bénéfice dilué par action (en CHF)	**25.23**	24.72	2%
Valeur comptable par action (en CHF)	**196.14**	214.86	(9%)
Rendement des fonds propres ordinaires (ROE)	**12,0%**	11,8%	0,2 pts
Rendement du bénéfice d'exploitation (après impôts) sur les fonds propres ordinaires (BOPAT ROE)	**10,5%**	9,3%	1,2 pts

[1] Tel que retraité au 31 décembre 2012 (cf. note 1 des Consolidated financial statements).
[2] Les chiffres entre parenthèses indiquent une variation négative.
[3] Les montants des affaires nouvelles sont calculés en application des principes d'«embedded value» avant l'effet des intérêts minoritaires. Voir le «Embedded value report» pour plus de renseignements sur ces principes. Les montants des affaires nouvelles pour l'exercice arrêté au 31 décembre 2012 n'incluent pas Zurich Santander ni les nouvelles opérations en Asie (y compris Zurich Insurance Malaysia Berhad – ZIMB).
[4] Calculé sur la moyenne des placements du Groupe.
[5] Les ratios respectifs au 1er juillet 2013 et 1er janvier 2013 sont calculés d'après le modèle interne du Groupe, soumis au contrôle et à l'approbation de l'autorité de régulation du Groupe, l'Autorité fédérale de surveillance des marchés financiers (FINMA).

Actualités opérationnelles

- Dans le segment assurance dommages (General Insurance), le taux de sinistres sous-jacent s'est amélioré en 2013 grâce à une gestion rigoureuse en matière de souscription et des optimisations de coûts. Il a par ailleurs bénéficié d'une baisse du nombre de catastrophes graves par rapport à 2012.
- Le bénéfice d'exploitation du segment assurance-vie (Global Life) a profité de la croissance des affaires de prévoyance et a continué d'augmenter en Amérique latine, mais ces hausses n'ont pas suffi à compenser les baisses enregistrées ailleurs.
- Le bénéfice de Farmers affiche une croissance robuste due à l'amélioration du résultat technique de Farmers Re, partiellement atténuée par une baisse du bénéfice d'exploitation de Farmers Management Services.

4,7 milliards d'USD
Bénéfice d'exploitation
(31 décembre 2013)

121 %
Ratio du modèle de capital économique de Zurich[1]
(1[er] juillet 2013)

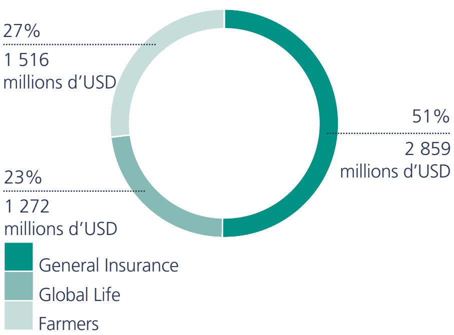
32,5 milliards d'USD
Fonds propres attribuables aux actionnaires
(31 décembre 2013)

55 000+
Collaborateurs (environ)
(31 décembre 2013)

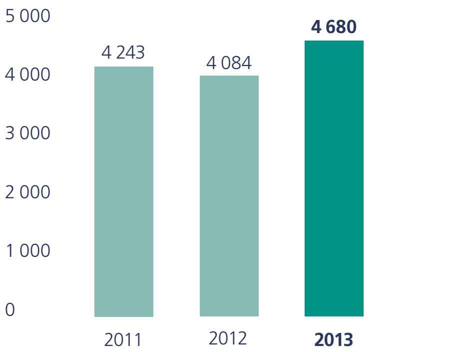
170+
Pays
(31 décembre 2013)

AA–/stable
Notation de Standard & Poor's sur la solidité financière de Zurich Compagnie d'Assurances SA
(31 décembre 2013)

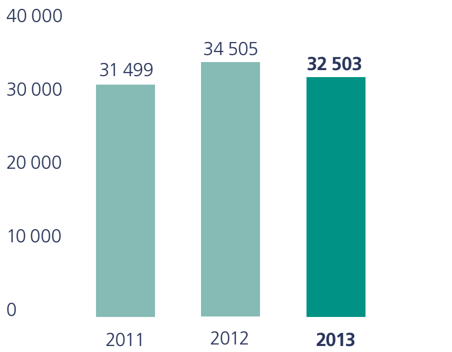
Bénéfice d'exploitation 2013 par segment d'activité[2, 3]



Bénéfice d'exploitation
(en millions d'USD)



Fonds propres attribuables aux actionnaires
(en millions d'USD)



[1] Le modèle de capital économique de Zurich (Zurich Economic Capital Model, ou Z-ECM) est un indicateur interne de l'adéquation des fonds propres, sur lequel se fonde le modèle du Test suisse de solvabilité de Zurich. Au 1[er] juillet 2013 le ratio de capitalisation observé à l'occasion du Test suisse de solvabilité a été 206%.
[2] Exclut Other Operating Businesses et Non-Core Businesses.
[3] Sauf indication contraire, tous les montants sont indiqués en USD et arrondis au million le plus proche. Par conséquent, il se peut que la somme des pourcentages ne soit pas égale à 100 dans tous les cas. Tous les ratios et écarts sont calculés avec les montants sous-jacents plutôt qu'avec les montants arrondis.

Message du président du Conseil d'administration et du CEO

Mesdames, Messieurs les actionnaires,

Nous avons le plaisir de vous présenter nos résultats pour l'exercice 2013. Nous avons réalisé un solide bénéfice d'exploitation dans tous les principaux segments d'activité, enregistrant une bonne croissance sur les marchés prioritaires des deux segments assurance dommages (General Insurance) et assurance-vie (Global Life). Farmers se concentre sur la mise en œuvre de sa nouvelle stratégie d'approche du consommateur, tout en affichant une bonne résistance de ses marges.

Tom de Swaan et Martin Senn

Le bénéfice d'exploitation[1] a augmenté de 15% par rapport à 2012 pour atteindre 4,7 milliards d'USD. Le bénéfice net attribuable aux actionnaires a progressé de 4% et atteint 4,0 milliards d'USD au cours de cette période. Nos solides résultats et notre forte capacité à générer des liquidités nous permettent de proposer un dividende de 17 CHF par action. Durant les trois derniers mois de 2013, le bénéfice d'exploitation a atteint 1,1 milliard d'USD, soit une hausse de 94% par rapport à la même période en 2012 impactée par la tempête Sandy en Amérique du Nord. Le bénéfice net attribuable aux actionnaires a augmenté de 9% pour atteindre 1,1 milliard d'USD.

En 2013, nos résultats ont bénéficié de l'attention soutenue que nous portons à la rentabilité, étayée par l'exécution rigoureuse de nos stratégies en matière de produits, de souscription et de tarification. Il y a eu moins de catastrophes graves qu'en 2012, ce qui a contribué à compenser les impacts d'une hausse des sinistres graves et de ceux liés aux intempéries en 2013, ainsi que la baisse des revenus d'investissement due à la persistance de faibles taux d'intérêt.

Orientation pour 2014–2016

En 2010, nous avions fixé d'ambitieux objectifs pour les années 2011 à 2013, dont certains n'ont pas été atteints. Cependant, nous avons bien progressé dans de nombreux domaines: nous avons réduit nos coûts sur les marchés à maturité et enregistré une solide croissance sur nos marchés en développement prioritaires. Mais l'environnement dans lequel nous opérons a changé et nous devons nous adapter.

Notre stratégie 2014–2016 repose sur trois piliers. Premièrement, nous accordons la priorité aux investissements sur les marchés et dans les segments de clientèle présentant un solide potentiel de croissance. Dans le marché

[1] Le bénéfice d'exploitation indique la performance sous-jacente des unités du Groupe après l'élimination de l'impact de la volatilité des marchés financiers et autres variables non liées à l'exploitation.

des entreprises notamment, nous nous appuyons sur le succès de notre offre combinée des segments assurance dommages et assurance-vie destinée aux grands comptes, et dans la division North America Commercial, nous investissons pour mieux servir les moyennes entreprises. Nous avons également finalisé l'analyse de la segmentation de notre clientèle au sein de trois marchés de particuliers, où nous pensons que notre image de marque et notre position sur le marché nous donnent un avantage concurrentiel.

Deuxièmement, nous gérons les autres activités dans une optique de valeur. Cela implique l'optimisation des portefeuilles en cours du segment assurance-vie et la maximisation des rendements des marchés plus petits du segment assurance dommages, ainsi que le redressement ou l'abandon des activités non rentables. Il s'agit par exemple de Hong Kong où nous nous sommes retirés d'un canal de distribution non rentable, et du Moyen-Orient où nous avons regroupé les structures de direction régionales du Moyen-Orient, de l'Afrique et de l'Europe, ce qui a permis de créer de nouvelles économies d'échelle.

Troisièmement, nous entendons augmenter notre bénéfice d'exploitation. En 2013, nous avons lancé un projet majeur afin de réduire la complexité et donc les frais généraux de l'ensemble du Groupe. Nous nous efforçons d'améliorer la rentabilité de certains de nos portefeuilles du segment assurance dommages. Nous cherchons aussi à augmenter les rendements de notre portefeuille de placements – sans pour autant faire de compromis sur la discipline d'investissement.

Durant la période 2014–2016, notre objectif est d'offrir un rendement total attractif à nos actionnaires. Pour y parvenir, nous avons défini de nouveaux objectifs. Nous entendons générer un rendement du bénéfice d'exploitation (après impôts) de 12 à 14%[2]; conserver un niveau de fonds propres élevé, avec un ratio du modèle de capital économique de Zurich[3] compris entre 100 et 120%; et atteindre un niveau élevé de flux de trésorerie disponible, avec des transferts de liquidités nets au Groupe supérieurs à 9 milliards d'USD[4]. Nous rendrons compte de nos progrès par rapport à ces objectifs lors de la publication des résultats semestriels et annuels.

Progrès dans le domaine de la responsabilité d'entreprise
En 2013, nous avons aussi réalisé des progrès significatifs dans nos deux principales initiatives du domaine de la responsabilité d'entreprise.

Nous avons annoncé un programme de résilience aux inondations, un engagement de cinq ans qui comprend un investissement initial de 36 millions d'USD. Le programme utilise notre expertise d'assureur et adopte une nouvelle approche de collaboration intersectorielle. La Fédération internationale des Sociétés de la Croix-Rouge et du Croissant-Rouge (FICR) et l'organisation non gouvernementale internationale Practical Action font partie d'une alliance qui associe recherche, programmes centrés sur les communautés et expertise du risque. Les travaux, qui ont commencé au Mexique et en Indonésie, serviront de modèles pour les initiatives à venir.

Nous avons aussi annoncé que nous prévoyons d'investir jusqu'à 1 milliard d'USD dans des «obligations vertes» émises par des débiteurs tels que la Banque mondiale, la Société financière internationale et d'autres institutions de financement du développement. Ces obligations ont la même notation que les obligations standard de leurs émetteurs et génèrent un rendement à la mesure du risque. Les revenus sont utilisés exclusivement pour aider des communautés à atténuer les conséquences du changement climatique ou à s'adapter à celles-ci.

Changements au sein de la Direction
Au début de l'année 2014, nous avons annoncé des changements au sein de la Direction générale qui renforceront le Comité exécutif de Zurich. George Quinn, précédemment chez Swiss Re, deviendra Chief Financial Officer (CFO) en mai 2014. Robert Dickie quitte AIG et rejoindra Zurich en tant que Chief Operations and Technology Officer en mars 2014. Son domaine de compétence inclut les services partagés de Zurich, les technologies de l'information, l'approvisionnement et les achats ainsi que la transformation opérationnelle. Nous tenons à remercier Vibhu Sharma, Group Controller, qui a assumé la fonction de CFO par intérim, et Markus Nordlin, Chief Information Technology Officer, qui a pris la responsabilité de Group Operations par intérim.

Perspectives économiques
Malgré un environnement plus difficile pour les marchés émergents, l'économie globale continue à se redresser, portée par une meilleure activité dans les régions développées et soutenue par une stabilisation en Chine. La croissance aux Etats-Unis devrait être supérieure à la moyenne en 2014, entraînant dans son sillage une accélération de l'activité globale. Les perspectives pour l'Europe sont également meilleures. Les marchés émergents seront confrontés à des sorties de capitaux et à des politiques intérieures plus strictes, tandis que l'incertitude politique est aussi élevée dans de nombreuses régions. Une activité plus soutenue dans les marchés développés devrait toutefois favoriser les exportations. Les économies asiatiques devraient connaître une croissance constante, à défaut d'être spectaculaire. En Amérique latine, les perspectives sont bonnes au Chili et au Mexique, tandis que la croissance du Brésil devrait ralentir.

Nos objectifs
Cette année, nous prenons des mesures rigoureuses concernant les trois piliers de notre stratégie. Certains bénéfices de ces mesures devraient déjà être visibles cette année, alors que nous établissons une base solide pour la réalisation de nos objectifs stratégiques pour 2014–2016.

Nous tenons à remercier toutes nos parties prenantes – nos clients, nos collaborateurs, nos actionnaires et les communautés au sein desquelles nous vivons et travaillons – pour leur soutien. Nous vous donnons rendez-vous dans les mois à venir pour vous informer de nos progrès dans la réalisation de nos objectifs stratégiques.

Tom de Swaan
Président du Conseil d'administration

Martin Senn
Chief Executive Officer

[2] Hors plus-values et moins-values latentes nettes.
[3] Le modèle de capital économique de Zurich (Zurich Economic Capital Model, ou Z-ECM) est un indicateur interne de l'adéquation des fonds propres, sur lequel se fonde le modèle du Test suisse de solvabilité de Zurich.
[4] Transferts de liquidités nets cumulés à Zurich Compagnie d'Assurances SA après déduction des frais centraux, période 2014–2016.

Environnement de marché

La stratégie de Zurich pour 2014–2016 s'appuie sur l'évolution de l'économie mondiale, les technologies et les comportements d'achat des clients.

«L'avancée de la mondialisation dope la croissance de l'assurance transfrontalière.»

En sa qualité d'assureur mondial mixte, Zurich bénéficie selon nous de certains facteurs favorables: l'amélioration constante du contexte économique, l'accélération de la mondialisation et l'évolution du paysage technologique.

Un contexte économique mondial qui s'améliore

Il semble de plus en plus évident qu'un bon nombre de marchés matures sur lesquels Zurich bénéficie d'une position compétitive solide commencent à se redresser, alors que les marchés en développement devraient continuer d'afficher une croissance robuste. Dans ce contexte d'embellie des perspectives par rapport à la période 2010–2013, nous pouvons poursuivre notre quête de croissance avec davantage de confiance, même si la vigilance reste de mise face aux risques baissiers car nous n'avons aucunement l'intention de mettre en péril la discipline et la rigueur qui nous ont tant profité ces dernières années.

Parallèlement, l'avancée de la mondialisation dope l'expansion des assurances transfrontalières. Le commerce mondial redémarre après trois années mitigées. Cette reprise devrait se poursuivre au gré du redressement économique mondial, faisant progresser la demande d'assurance transfrontalière à mesure que la complexité des chaînes d'approvisionnement s'accroît et que les risques sont davantage connectés les uns aux autres. Nous observons en outre une tendance à contre-courant en faveur du protectionnisme local (voir la section suivante sur les questions réglementaires). Ceci compliquera nettement la mise en place de modèles d'affaires transfrontaliers dans le domaine des services financiers aux particuliers, mais pourrait à l'inverse profiter à des assureurs mondiaux déjà établis tels que Zurich.

Pour les grands comptes et la clientèle de petites et moyennes entreprises, cette tendance se traduit par un besoin grandissant de solutions internationales complexes sur mesure, que des assureurs dédiés possédant des compétences solides et une assise mondiale sont les mieux placés pour offrir. Nous sommes fermement convaincus que cette situation met en valeur les atouts de Zurich, et notamment ses capacités mondiales et son savoir-faire technique.

La technologie et les changements des besoins des clients sont autant d'opportunités

Des changements importants dans le domaine de la technologie et l'utilisation qu'en font les individus et les entreprises modifient la manière dont les clients accèdent à l'assurance, créant ainsi de nouvelles opportunités. Ces évolutions ont diminué les coûts de l'offre de produits et services d'assurance tout en renforçant la transparence des prix sur les marchés de détail. Dans le même temps, nous sommes aussi en train de réévaluer la manière dont nous utilisons la technologie et de repenser notre proposition de valeur sur certains marchés.

L'évolution de «Big Data» (le traitement et l'analyse de séries de données volumineuses et complexes) permet aux assureurs de bien mieux comprendre le paysage du risque, une tendance qui met nos atouts en valeur dans le secteur de l'assurance commerciale. Parallèlement à ces facteurs externes, nous constatons un changement des comportements et des besoins des clients. Les grands comptes, la clientèle de petites et moyennes entreprises et les particuliers ne sont pas affectés de la même manière.

Au sein du marché de l'assurance aux entreprises, une tendance à la centralisation et la coordination des achats d'assurance se dessine. Les entreprises et les courtiers commencent à demander des solutions d'assurance-vie et d'assurance dommages combinées. Les principaux bénéfices observés sont une simplification opérationnelle incarnée par un point de contact unique, une seule plateforme et des économies d'échelle ainsi qu'un meilleur aperçu du risque et une tarification mieux informée. Les distributeurs du secteur de l'assurance aux entreprises s'adaptent eux aussi à cette tendance.

Les entreprises de taille moyenne passent de décisions surtout basées sur les relations à des décisions dépendant davantage des données. Les assureurs d'entreprises font désormais appel à l'approche analytique utilisée depuis des années sur les marchés de détail. Les assureurs, y compris Zurich, et les courtiers investissent aujourd'hui dans l'analyse prédictive, qui permet d'identifier des tendances,

« Nous pouvons exploiter ces opportunités et développer la base solide que nous avons établie.»

schémas et relations parmi les données dans le but d'améliorer la sélection de risque des clients.

Les marchés de la clientèle de particuliers sont essentiellement locaux et très concurrentiels. La technologie est le moteur du changement: les clients s'attendent à pouvoir accéder aux services par l'intermédiaire de nombreux canaux tels que le téléphone, internet et les médias sociaux. Pour réussir, les assureurs doivent identifier les segments de clientèle les plus attrayants, auxquels ils peuvent offrir leurs services de manière rentable à grande échelle, tout en suivant le rythme de la révolution technologique.

L'assurance-vie est confrontée à des difficultés en raison de la surveillance réglementaire accrue et d'une plus forte exigence de protection des consommateurs qui fait pression sur les commissions. Mais la demande de couvertures individuelles ou financées par les entreprises et de solutions d'épargne augmente au fur et à mesure que les gouvernements et entreprises cherchent à réduire les coûts liés à la retraite des populations vieillissantes. Dans les pays en développement aussi, l'assurance-vie individuelle n'a souvent pas progressé aussi rapidement que les revenus, ce qui pourrait favoriser la demande.

Zurich est bien placée pour tirer parti de ces opportunités

Zurich est un assureur mondial mixte. L'ampleur de nos activités nous permet de réaliser des économies d'échelle et nous disposons de ressources en capital grâce auxquelles nous restons à la pointe de la technologie et de l'innovation. Notre portée mondiale nous aide à offrir un service plus complet à nos clients, eux-mêmes de plus en plus mondiaux, et à soumettre aux intermédiaires des solutions plus intégrées qui génèrent une valeur supérieure pour les clients. Elle donne aussi à Zurich un avantage dans le développement des talents car nous utilisons nos capacités mondiales à travers les régions pour proposer à nos collaborateurs des opportunités de carrière bien plus intéressantes.

Nous sommes bien placés pour exploiter les opportunités qui se présenteront au sein du secteur et développer la base solide que nous avons établie au fil des dix dernières années dans les secteurs des entreprises de toutes tailles et des particuliers. Les risques d'entreprise sont l'un de nos principaux atouts: dans ce domaine, nous faisons partie des rares assureurs pouvant offrir à leurs clients un service réellement mondial. Zurich occupe par ailleurs une position de leader sur le marché de l'assurance aux entreprises en Amérique du Nord. Dans ce segment, notre modèle d'affaires mondial nous confère un avantage certain: nous identifions de nombreuses occasions de recréer ce succès sur d'autres marchés au fil du temps.

Nos positions sur les marchés de particuliers sont robustes et nous investirons pour renforcer notre présence dans les domaines où nous pouvons développer et maintenir des positions spécifiques.

Environnement réglementaire

Depuis la crise financière, les changements réglementaires sont devenus l'un des principaux moteurs du secteur de l'assurance. Chez Zurich, nous avons identifié cinq tendances réglementaires qui s'appliquent à nos activités d'un point de vue stratégique.

«Les défis gouvernementaux pesant sur la gestion globale des capitaux d'assurance vont croissant.»

Tensions entre les nouvelles réglementations mondiales et nationales
Pendant la crise financière, le cadre réglementaire et de surveillance existant a peiné à endiguer les risques liés aux grands établissements financiers multinationaux. En conséquence, les décideurs ont cherché à améliorer la stabilité financière en renforçant les normes réglementaires mondiales. Le domaine de l'assurance, acteur majeur de l'économie financière internationale, a compté parmi les nombreux secteurs affectés par ce phénomène.

Un Conseil de stabilité financière renforcé a chargé l'Association internationale des contrôleurs d'assurance (AICA) d'identifier les assureurs représentant un risque systémique et de développer de nouvelles normes en matière de capital et de gouvernance pour le secteur de l'assurance. Zurich ne fait pas partie de la série initiale de désignations du risque systémique lié à l'assurance («too big to fail») faites par l'AICA car la société exerce très peu d'activités d'assurance non traditionnelles et d'activités hors assurance. Les concepts sous-jacents seront néanmoins probablement appliqués à Zurich du fait de son statut d'assureur important actif à l'international. Une surveillance renforcée des groupes par l'initiative ComFrame, l'élargissement du rôle de surveillance des groupes de la FINMA et l'adoption de nouvelles normes en matière de capitaux applicables aux assureurs actifs à l'échelle mondiale sont prévus à terme.

En dépit de l'accent sur les approches supranationales du risque systémique, sur les normes appliquées aux groupes d'assurance multinationaux, sur les concepts de supervision de groupes et d'une tendance à l'approche des capitaux basée sur le risque, la réglementation prudentielle locale est et restera fracturée. Par exemple, l'Union européenne (UE) et la Suisse se focalisent davantage sur une vue consolidée du bilan, tandis que les Etats-Unis et d'autres autorités de réglementation favorisent une approche considérant la somme des bilans de chaque entité juridique.

Les groupes d'assurance sont affectés par ces tensions. La surveillance réglementaire des grands groupes d'assurance internationaux continue de progresser mais la cohérence entre les approches des différentes autorités de réglementation risque d'être limitée. Zurich prévoit donc de travailler avec des autorités de réglementation dont les domaines de compétences se chevauchent.

Protection des intérêts nationaux et nouveaux impôts sur les assurances
Les défis gouvernementaux qui pèsent sur la gestion mondiale des capitaux d'assurance dopent le besoin d'accroître le chiffre d'affaires ou de développer des opportunités politiques par crainte de la compétitivité des assureurs locaux.

Ces dernières années, les Etats ont maintenu ou introduit davantage de mesures nationalistes affectant le secteur de l'assurance. A titre d'exemples, citons les cessions de réassurance obligatoires au Brésil et les restrictions pesant sur les dividendes et les investissements en Argentine. Les Etats-Unis réfléchissent à un impôt sur les transactions de réassurance avec des filiales localisées à l'étranger. Le Canada impose des obligations d'enregistrement aux réassureurs affiliés à l'étranger. La Chine a, elle aussi, introduit de nouvelles restrictions.

Les gouvernements aussi se tournent vers le secteur de l'assurance pour augmenter leurs revenus. La loi américaine Foreign Account Tax Compliance Act (FATCA) utilise les banques et les compagnies d'assurance pour traquer les actifs offshore détenus par les contribuables américains. L'Union européenne est en phase d'adopter sa propre FATCA, qui ne sera pas nécessairement compatible avec l'approche américaine. D'autres pays leur emboîteront vraisemblablement le pas.

Il est probable que des obligations de reporting, de compliance et opérationnelles supplémentaires seront imposées au secteur de l'assurance, dont certaines pourraient avoir des implications transfrontalières. Ces changements s'accompagnent généralement de coûts de compliance élevés et nécessitent une attention sans relâche de la part de la direction. La consolidation mondiale du risque ainsi que la gestion des capitaux et des liquidités subiront des pressions. Les initiatives d'accroissement du chiffre d'affaires pourraient miner les relations des assureurs avec leurs clients et intermédiaires tout en entravant le contexte

> La crise financière a modifié la perception de la gouvernance d'entreprise.»

concurrentiel par rapport aux acteurs mondiaux alors même que les acteurs locaux bénéficieront de conditions plus favorables.

La réglementation liée à la consommation et ses effets sur les produits et services
Depuis le début de la crise financière, la tendance est à la protection accrue des consommateurs. Les organismes internationaux de réglementation ont adopté des principes centrés sur la prévention ou la déclaration des conflits lors de l'offre de conseils, sur un choix plus important et la facilité de transition, sur la garantie de produits adaptés et transparents et sur les recours à disposition des consommateurs en cas d'insatisfaction.

Pour Zurich, cette protection accrue des consommateurs sera surtout ressentie dans nos activités liées aux particuliers, même si certaines retombées sur le segment entreprises sont aussi probables. Aussi devrons-nous aligner nos stratégies de distribution sur les influences réglementaires émergentes, une réalité qui sera différente selon les juridictions et produits. La transparence renforcée pourrait aussi affecter la configuration des produits. Nous devrons informer nos clients tout en gérant les défis légaux et administratifs liés aux erreurs et litiges.

Confidentialité et gestion des données
Les avancées en matière de technologies de l'information ont simplifié le partage et l'analyse des données personnelles. Dans le même temps, le public et les décideurs se préoccupent de plus en plus de la confidentialité des données.

Les assureurs rivalisent en développant de nouvelles analyses sur les classifications du risque et en les reliant aux clients potentiels. Les sources de données et les capacités informatiques augmentent parallèlement à la capacité de l'assureur à sélectionner et à tarifier le risque. Ce phénomène nécessite toutefois l'acceptation du public et des autorités de réglementation ainsi que des capacités technologiques.

Zurich pense que la question de réglementation relative à la confidentialité et à l'utilisation des données ne sera pas réglée. Les réglementations pourraient évoluer de manière inégale au fil du temps et entrer en conflit avec les avancées technologiques, affectant la capacité du secteur à appliquer de nouvelles sources de données à la sélection du risque. Les transferts des données personnelles des consommateurs au-delà des frontières feront l'objet de restrictions. Il sera exigé des sociétés qu'elles conservent des données pour le compte du sujet de ces données autant que pour elles-mêmes en tant que dépositaires des données.

Transformation des craintes liées à la gouvernance d'entreprise et à la rémunération
La crise financière a modifié la perception de la gouvernance d'entreprise. Le rôle des conseils d'administration, leur composition et les qualifications de leurs membres sont au centre des préoccupations de l'opinion publique. Les initiatives régionales telles que Solvabilité II et les réformes nationales viennent alimenter la demande mondiale d'amélioration de la gouvernance d'entreprise. De même, les attentes en la matière précédemment imposées aux sociétés cotées en Bourse sont de plus en plus souvent appliquées aux conseils d'administration de leurs filiales. La gestion de la complexité organisationnelle (surtout dans les groupes multinationaux) préoccupe les autorités de réglementation.

A la suite de la crise financière, les organismes mondiaux de réglementation ont publié des principes pour des pratiques de rémunération saines. En ce qui concerne Zurich en particulier, la FINMA a introduit des exigences de rémunération strictes. Et en mars 2013, les citoyens suisses ont approuvé massivement l'initiative Minder, ou «contre les rémunérations abusives», visant à renforcer les droits des actionnaires en matière de rémunération des dirigeants. Les nouvelles exigences s'appliquent à toutes les sociétés cotées en Bourse.

Zurich est d'avis que les décideurs et autorités de surveillance s'exprimeront davantage sur la structure juridique locale et du groupe ainsi que sur les questions organisationnelles. Les pressions de réduction de la complexité aux niveaux du groupe et des filiales ne diminueront pas. L'opinion publique – qu'elle prenne la forme de décisions dans l'isoloir ou d'exigences réglementaires – pourrait s'étendre aux rémunérations et aux responsabilités, affectant potentiellement les questions liées au recrutement et à la rétention des talents.

Stratégie 2014–2016 de Zurich

La stratégie 2014–2016 de Zurich a pour objectif de générer une croissance durable et rentable dans un environnement changeant et de plus en plus concurrentiel. Elle s'appuie sur nos points forts et place nos clients et leurs besoins au cœur de notre activité.

«Nos investissements ciblent les marchés les plus prometteurs, aussi bien parmi les pays développés qu'émergents.»

Pour aider Zurich à franchir la prochaine étape de son développement, nous nous concentrons sur les marchés et les segments de clientèle dans lesquels nous bénéficions d'un avantage concurrentiel, c'est-à-dire où nous pouvons offrir à nos clients une proposition de valeur supérieure à celle de nos concurrents. Nous investissons pour générer de la croissance dans les marchés à maturité et émergents qui affichent le meilleur potentiel. Parallèlement, nous gérons les autres activités dans une optique de valeur. Nous augmentons notre bénéfice d'exploitation en réduisant encore la complexité et les coûts d'exploitation, et améliorons la rentabilité de nos activités et de nos placements.

Œuvrant tous ensemble au sein d'une entreprise unie et soudée, nous voulons offrir aux entreprises de toutes tailles et aux particuliers un service et des produits haut de gamme qui correspondent à leurs besoins. Dans cette optique, nous nous efforçons de comprendre leurs besoins, d'investir dans les capacités nécessaires, d'augmenter notre visibilité au moyen de la publicité, de mesurer notre réussite et de tirer profit des connaissances acquises à travers le Groupe.

Nous investissons dans nos collaborateurs et faisons de Zurich une entreprise de choix pour bâtir une carrière. Nous investissons dans les systèmes et les processus qui nous permettent de comprendre nos clients, de leur offrir un service sur mesure, d'améliorer la collaboration et de gagner en efficience.

La marque Zurich nous rapproche de nos clients, aussi bien particuliers que professionnels, et positionne Zurich comme le choix le plus pertinent pour tous ceux qui veulent protéger ce qu'ils aiment vraiment. Et conformément à notre stratégie, nous travaillons de manière responsable.

La clé de notre succès résidera dans l'exécution parfaite et sans compromis de notre plan stratégique pour faire de Zurich une entreprise plus compétitive, plus performante – une entreprise reconnue comme la meilleure sur ses marchés dans le monde entier.

Nous formulons notre stratégie autour de trois rubriques: «qui nous sommes», «ce que nous faisons» et «comment nous le faisons». «Qui nous sommes» définit notre mission et notre identité. «Ce que nous faisons» décrit nos marchés et nos clients. «Comment nous le faisons» présente les facteurs de notre succès.

Qui nous sommes

Zurich, fondée en Suisse en 1872, est l'un des assureurs les plus expérimentés au monde. Nos clients choisissent Zurich pour protéger les personnes et les biens qui leur sont chers car ils apprécient nos connaissances, notre expertise et notre stabilité.

Chez Zurich, nous pensons que notre mission est d'aider nos clients à comprendre le risque et à s'en prémunir. Le risque fait partie intégrante de notre vie. Pour prospérer, les individus, les familles, les entreprises et les communautés doivent être protégés des risques critiques. Nous aidons nos clients à gérer les risques qu'ils rencontrent pour leur permettre de vivre plus sereinement et les aider à développer leur entreprise.

Nous sommes attentifs à nos clients, à nos collaborateurs, à nos actionnaires et aux communautés dans lesquelles nous vivons et travaillons. Pour réaliser nos objectifs, nous avons besoin de la confiance et du soutien de tous ces acteurs. Nous voulons qu'ils considèrent Zurich comme le meilleur assureur, de façon à enregistrer une croissance rentable, à attirer les meilleurs talents, à conserver le soutien de nos investisseurs et à bâtir notre réputation d'entreprise responsable. Nous pensons que nos valeurs renforcent la solidité de notre activité. C'est pourquoi nous mettons l'accent sur l'intégrité, le centrage sur le client, l'excellence, la création de valeur durable et le travail d'équipe dans tout ce que nous faisons.

La culture de Zurich nous aide à rester concentrés sur notre stratégie tout en restant fidèles à nos valeurs et à notre engagement envers nos parties prenantes.

Ce que nous faisons

Chez Zurich, nous concentrons nos investissements sur les marchés les plus prometteurs, aussi bien dans les marchés à maturité qu'émergents. Nous avons établi des priorités claires qui nous permettront de développer notre positionnement sur les marchés des grands comptes, des petites et moyennes entreprises et des particuliers.

Les autres activités sont, quant à elles, gérées dans une optique de valeur. Cela implique d'optimiser les portefeuilles du segment assurance-vie (Global Life) en cours et de maximiser les rendements sur les marchés plus petits du segment assurance dommages (General Insurance) tout en redressant les activités non rentables ou en les abandonnant.

D'autre part, nous adoptons une approche ciblée des clients qui nous impose de comprendre les besoins des segments de clientèle dans lesquels nous dégageons des bénéfices grâce à des propositions compétitives. Nous investissons dans les capacités nécessaires pour servir les clients et nous assurer une visibilité grâce à une publicité ciblée. Nous mesurons notre réussite et tirons profit des connaissances acquises à travers tout le Groupe.

Œuvrant tous ensemble au sein d'une entreprise unie et soudée, nous voulons offrir à nos clients un service et des produits haut de gamme, qui correspondent à leurs besoins.

Grands comptes: la croissance des échanges, la mondialisation et l'interconnectivité sont pour nous des atouts. Nous investissons dans nos capacités et renforçons l'approche unifiée («One Zurich») de la vente croisée adoptée par Global Corporate et Corporate Life & Pensions en l'alignant sur les zones géographiques et en intégrant nos offres.

Moyennes entreprises: les décisions fondées sur des critères relationnels laissent progressivement la place aux décisions basées sur les analyses de données. Nos concurrents, comme les courtiers, investissent à présent massivement dans l'analyse prédictive. Au sein de North America Commercial, nous avons commencé à investir dans l'analyse du comportement des consommateurs, les propositions de valeur des courtiers et l'analyse prédictive, espérant que notre démarche sera reproduite dans les autres marchés.

Clientèle de particuliers: les marchés de particuliers sont essentiellement locaux et très concurrentiels. Les nouvelles technologies, la réglementation et l'évolution des attentes des clients appellent une remise à plat des modèles commerciaux traditionnels.

Au sein de Farmers et dans trois autres marchés, nous opérons actuellement un recadrage afin de nous concentrer non plus sur les produits, mais sur les segments de clientèle. D'autres marchés suivront. Nous continuerons par ailleurs de rechercher des accords de bancassurance là où nous pouvons créer de la valeur pour nos partenaires commerciaux.

Gérer dans une optique de valeur: nous voulons optimiser nos activités existantes et les gérer davantage dans une optique de valeur afin d'augmenter les bénéfices et de financer la croissance dans d'autres domaines. Ce faisant, nous optimisons nos gros portefeuilles du segment assurance-vie en cours, notamment au Royaume-Uni, en Allemagne, en Suisse et aux Etats-Unis. Parallèlement, nous continuons d'exploiter les marchés plus petits et rentables du segment assurance dommages en nous désengageant de nos activités non rentables ou en les abandonnant. Nous libérerons ainsi des ressources pour les investir dans nos marchés prioritaires.

Comment nous le faisons

Les facteurs de notre succès, c'est-à-dire les mesures que nous devons prendre pour atteindre nos objectifs, sont clairement définis dans la stratégie de Zurich.

Pour réaliser sa stratégie, Zurich doit être une entreprise simple, efficiente et rentable. Nous devons donc diminuer la complexité et améliorer les marges d'exploitation. Nos services opérationnels partagés nous aident à atteindre ces objectifs.

Nous investissons dans nos collaborateurs et construisons une culture dédiée à la concrétisation de notre stratégie, au sein de laquelle les collaborateurs se sentent motivés, stimulés et fiers d'appartenir à Zurich.

Notre stratégie numérique et informatique nous permet d'analyser les opportunités sur le marché, d'apporter à nos clients le service dont ils ont besoin et d'exploiter les réseaux sociaux. Le programme The Zurich Way promeut l'efficacité, car il pose des bases de travail communes à partir de ressources mondiales.

Nous investissons dans la marque Zurich, notamment en mesurant son succès sur les marchés prioritaires. Animés par le désir de poursuivre une croissance rentable, nous travaillons de manière responsable dans tout ce que nous faisons, conformément à notre stratégie.

Les Zurich Basics et le Zurich Commitment continueront de guider nos actions en lien avec nos quatre groupes de parties prenantes: nos clients, nos collaborateurs, nos actionnaires et les communautés au sein desquelles nous vivons et travaillons.

Offrir un rendement total attractif à nos actionnaires

Objectifs de Zurich pour la période 2014–2016	Indicateurs:
Améliorer le rendement des fonds propres	**Rendement du bénéfice sur les fonds propres ordinaires (BOPAT ROE), objectif: 12–14%[1]**
Conserver un niveau de fonds propres très élevé	**Ratio Z-ECM[2] 100–120%**
Générer un niveau élevé de flux de trésorerie disponible	**Transferts de liquidités nets au Groupe[3]** **> 9 milliards d'USD**
Générer une croissance rentable	**Bulletins semestriels présentant les preuves relatives à l'exécution de notre stratégie**

[1] Hors plus-values et moins-values latentes
[2] Le modèle de capital économique de Zurich (Zurich Economic Capital Model, ou Z-ECM) est un indicateur interne de l'adéquation des fonds propres, sur lequel se fonde le modèle du Test suisse de solvabilité de Zurich.
[3] Transferts de liquidités nets cumulés à Zurich Compagnie d'Assurances SA après déduction des frais centraux, période 2014–2016.

Notre performance

Le Groupe a enregistré de solides résultats dans tous les principaux segments d'activité. Ces résultats, ainsi que le niveau de fonds propres toujours élevé du Groupe, nous permettent de proposer un dividende de 17 CHF par action.

Le Groupe a atteint ce niveau de performance dans ses principaux segments d'activité grâce à l'attention soutenue qu'il accorde à la rentabilité, étayée par l'exécution rigoureuse de ses stratégies en matière de produits, de souscription et de tarification.

Le résultat a aussi bénéficié d'un nombre moins important de catastrophes graves en 2013, bien que cet avantage ait été en partie neutralisé par la hausse des sinistres graves et de ceux liés aux intempéries. Au final, cette performance a plus que compensé la baisse des revenus d'investissement due à la persistance de faibles taux d'intérêt.

L'amélioration de la rentabilité s'est poursuivie, et le Groupe est resté focalisé sur la croissance dans les marchés prioritaires des deux sements assurance dommages (General Insurance) et assurance-vie (Global Life).

La solvabilité du Groupe mesurée sur une base économique telle que déterminée selon le Test suisse de solvabilité, s'est améliorée de 21 points pour atteindre 206% au 1er juillet 2013. Les fonds propres attribuables aux actionnaires ont diminué de 2,0 milliards d'USD et s'élèvent à 32,5 milliards d'USD en 2013. Ce montant tient compte du bénéfice net attribuable aux actionnaires de 4,0 milliards d'USD, de la diminution des plus-values latentes nettes sur les placements de 2,8 milliards d'USD et du versement en avril 2013 du dividende de 2,7 milliards d'USD.

Le bénéfice d'exploitation a augmenté de 596 millions d'USD pour atteindre 4,7 milliards d'USD, soit une hausse de 15% par rapport à 2012.

Le bénéfice net attribuable aux actionnaires s'élève à 4,0 milliards d'USD, en hausse de 141 millions d'USD, soit 4%. La progression du bénéfice d'exploitation a été en partie neutralisée par une baisse des plus-values nettes sur les placements et par plusieurs dépenses non récurrentes liées à la restructuration de certaines activités.

Les volumes d'affaires des segments d'activité principaux, qui englobent les primes émises brutes, les chargements de gestion, les dépôts à caractère de placement et les commissions de gestion, ont atteint 70,4 milliards d'USD, en baisse de 2,7 milliards d'USD, soit 4%.

Le rendement des fonds propres ordinaires (ROE) s'est établi à 12% et le rendement du bénéfice d'exploitation (après impôts) sur les fonds propres ordinaires à 10,5%, en hausse de 0,2 point et de 1,2 point respectivement par rapport à 2012, du fait de la hausse des bénéfices. Le bénéfice dilué par action a progressé de 2% à 25.23 CHF pour l'exercice arrêté au 31 décembre 2013, contre 24.72 CHF en 2012.

Durant l'exercice, les placements du Groupe ont diminué de 2,3 milliards d'USD à 207,3 milliards d'USD, soit une baisse de 1%. La baisse du total des placements du Groupe reflète principalement l'impact de la hausse des taux d'intérêt sur la valeur des obligations et titres assimilés, en partie compensé par les nouveaux flux de trésorerie investis en actions et obligations. Le Groupe maintient une stratégie rigoureuse axée sur la gestion actif-passif et continue de limiter les risques qui ne lui semblent pas dûment rémunérés. La qualité du portefeuille de placements demeure élevée, les titres dont la notation est supérieure ou équivalente à BBB– représentant 98% du portefeuille d'obligations et titres assimilés du Groupe.

General Insurance

Le bénéfice d'exploitation du segment assurance dommages a augmenté de 747 millions d'USD pour atteindre 2,9 milliards d'USD, soit une hausse de 35%. La sinistralité sous-jacente et les frais ont diminué en 2013, les mesures d'économies s'étant traduites par une baisse du taux de chargement. L'activité a également profité d'un nombre moins important de catastrophes graves. Ces améliorations ont été partiellement atténuées par une augmentation des sinistres graves et de ceux liés aux intempéries. Les revenus d'investissement ont diminué par rapport à 2012.

Le résultat technique net a augmenté de 868 millions d'USD à 1,3 milliard d'USD, ce qui se traduit par une amélioration de 2,9 points du ratio combiné à 95,5%. L'amélioration reflète également un niveau plus élevé de bonis sur exercices antérieurs. Les primes émises brutes et chargements de gestion ont atteint 36,4 milliards d'USD, en hausse de 828 millions d'USD, soit 2%.

4,7 milliards d'USD
Bénéfice d'exploitation
(2012: 4,1 milliards d'USD)

4,0 milliards d'USD
Bénéfice net attribuable aux actionnaires
(2012: 3,9 milliards d'USD)

Global Life
Le bénéfice d'exploitation du segment assurance-vie a diminué de 80 millions d'USD et s'élève à 1,3 milliard d'USD, soit une baisse de 6%. Les hausses en Amérique latine n'ont pas suffi à compenser les baisses en Amérique du Nord, en Europe et Asie-Pacifique et au Moyen-Orient (APME). Les améliorations résultant de la contribution accrue de Zurich Santander, après intérêts minoritaires, et les améliorations de la marge de risque et de la marge sur frais ont été en grande partie neutralisées par une baisse significative de la marge sur les placements et un niveau plus faible de produits d'exploitation non récurrents.

Les primes émises brutes, chargements de gestion et dépôts à caractère de placement ont atteint 27,1 milliards d'USD, en baisse de 3,2 milliards d'USD, soit 10%. La croissance des primes émises brutes dans les affaires de prévoyance à marge élevée n'a pas suffi à compenser la baisse attendue des dépôts à caractère de placement au Royaume-Uni, en raison de l'arrêt des produits à prime unique à faible marge dans Private Banking Client Solutions.

Farmers
Le bénéfice d'exploitation de Farmers a augmenté de 114 millions d'USD pour atteindre 1,5 milliard d'USD, soit une hausse de 8%. Cette hausse résulte d'une amélioration du résultat technique dans Farmers Re, qui a bénéficié d'augmentations de tarifs et d'une politique sélective de souscription dans les Farmers Exchanges, qui sont détenus par leurs preneurs d'assurance et gérés par Farmers Group Inc., une filiale détenue à 100% par le Groupe.

Le bénéfice d'exploitation de Farmers Management Services a atteint 1,4 milliard d'USD, en recul de 38 millions d'USD, principalement en raison d'une baisse des commissions de gestion et autres produits assimilés, mais aussi des revenus de placements. Cette baisse a été largement compensée par l'amélioration du résultat technique dans Farmers Re, dont le bénéfice d'exploitation s'élève à 125 millions d'USD, en augmentation de 152 millions d'USD. Les commissions de gestion et autres produits assimilés de Farmers Management Services ont atteint 2,8 milliards d'USD, en baisse de 36 millions d'USD, soit 1%. Les primes émises brutes et chargements de gestion de Farmers Re ont atteint 4,0 milliards d'USD, en baisse de 316 millions d'USD, soit 7%.

Création de valeur durable

Chez Zurich, nous nous efforçons de créer de la valeur durable pour toutes nos parties prenantes, conformément à nos valeurs telles que définies dans les Zurich Basics, notre code de conduite, et au Zurich Commitment, notre déclaration d'intention.

Notre contribution globale à la société est indissociable de notre activité. Elle fait partie intégrante de notre façon d'opérer.»

Création de valeur durable

Dans cette partie de notre Rapport de gestion vous est présentée notre volonté de créer de la valeur durable en agissant de manière responsable dans tous nos domaines d'activité et en investissant dans nos collaborateurs.

Responsabilité d'entreprise et stratégie commerciale

La responsabilité d'entreprise est intégrée dans la stratégie 2014–2016 de Zurich (voir pages 10 à 11). Dans le cadre de notre stratégie, nous nous concentrons sur nos points forts en tant qu'entreprise et sur des facteurs clés de succès – les mesures que nous devons prendre pour atteindre nos objectifs stratégiques. Nous considérons la responsabilité d'entreprise de la même façon. Pour Zurich, responsabilité d'entreprise implique de se concentrer sur ce que nous faisons le mieux et sur les leviers de succès commerciaux.

Notre programme de résilience aux inondations utilise notre expertise d'assureur en matière de protection contre les risques liés aux catastrophes naturelles, incluant les inondations. Notre programme d'investissement responsable est né d'une autre de nos compétences fondamentales: notre rôle en tant qu'investisseur institutionnel majeur au niveau mondial. Et notre travail avec la clientèle de grands comptes sur les risques relevant de la responsabilité d'entreprise est une extension naturelle de notre position sur le marché en tant qu'assureur d'entreprises et de particuliers leader dans le monde.

Nous menons d'autres initiatives dans le domaine de la responsabilité d'entreprise, car elles sont des facteurs clés de succès. Entre autres, l'investissement au profit des communautés nous rapproche des communautés dans lesquelles nous vivons et travaillons et offre de formidables opportunités d'évolution pour nos collaborateurs. Nos activités environnementales nous aident à économiser les ressources et à réduire les coûts tout en protégeant l'environnement. Nos mesures dans les domaines de la santé et la sécurité protègent nos collaborateurs au travail. Et des pratiques d'approvisionnement et d'achat responsables contribuent à étendre les exigences élevées de Zurich à notre chaîne d'approvisionnement.

Nous jouons un rôle social et économique important par notre activité d'assurance. L'assurance permet aux personnes et aux entreprises de se prémunir du risque, en les aidant à devenir prospères, résilientes et stables. Les primes que nous investissons sur les marchés financiers contribuent à financer des activités et des projets importants pour la société. L'assurance est donc synonyme de valeur sociale et économique. Cela signifie que notre contribution globale à la société est indissociable de notre activité. Elle fait partie intégrante de notre façon d'opérer.

Cadre de gestion de la responsabilité d'entreprise

Pour garantir la mise en œuvre de notre stratégie de responsabilité d'entreprise, le Comité exécutif du Groupe a constitué un groupe de travail chargé de le conseiller sur sa stratégie, ses priorités et ses objectifs, ainsi que de stimuler notre performance.

Le groupe de travail sur la responsabilité d'entreprise veille à ce que la stratégie de responsabilité d'entreprise du Groupe reste intégrée dans la stratégie du Groupe et nous permette de respecter les Zurich Basics, le Zurich Commitment et les principes du Pacte Mondial de l'ONU sur les droits de l'homme et du travail, l'environnement et la lutte contre la corruption. Il rend compte des progrès et développements deux fois par an au Comité exécutif du Groupe.

Le groupe de travail est composé de cadres supérieurs du segment assurance dommages (General Insurance), du segment assurance-vie (Global Life), Group Operations, Investment Management, Group Finance et de notre Group Chief of Staff, qui représente les fonctions du Groupe. Il est présidé par Mike Kerner, CEO General Insurance, membre du Comité exécutif du Groupe. La composition du groupe de travail est révisée chaque année.

Engagements externes et indices

Zurich a signé, en juillet 2011, le Pacte Mondial de l'ONU. En adhérant à ce pacte, nous nous sommes engagés à aligner notre stratégie, notre culture et nos activités quotidiennes sur

Pour en savoir plus sur la responsabilité d'entreprise: **www.zurich.com/aboutus/corporateresponsibility/**

les dix principes universellement admis du Pacte Mondial dans les domaines des droits de l'homme, du travail, de l'environnement et de la lutte contre la corruption. Les principes du Pacte Mondial complètent les Zurich Basics, notre code de conduite et tous les collaborateurs de Zurich sont tenus de les respecter tous deux.

Zurich a signé les Principes pour l'Investissement Responsable (PRI) en juillet 2012. Cette initiative internationale des investisseurs, en partenariat avec l'initiative financière du Programme des Nations Unies pour l'environnement (PNUE) et le Pacte Mondial de l'ONU, vise à fournir un cadre pour mieux intégrer les facteurs environnementaux, sociaux et de gouvernance dans les pratiques d'investissement. Notre fonction chargée de la gestion des placements s'engage à investir de manière responsable le portefeuille de placements du Groupe de plus de 200 milliards d'USD.

Pour suivre nos progrès et améliorer notre performance en matière de responsabilité d'entreprise, nous nous appuyons sur les avis des parties prenantes recueillis par l'intermédiaire de sondages réalisés auprès des clients et collaborateurs, ainsi que sur des mesures telles que la série d'indices FTSE4Good et les Dow Jones Sustainability Indexes (DJSI). En 2013 également, Zurich répondait aux critères d'inclusion dans le DJSI World Index et la série d'indices FTSE4Good.

Responsabilité d'entreprise

Augmenter la résilience aux inondations des communautés

Objectif:

Les inondations touchent plus de personnes dans le monde que n'importe quelle autre catastrophe naturelle et entraînent les plus importants dommages économiques, sociaux et humanitaires. Grâce à notre expertise du risque en tant qu'assureur mondial, nous pouvons aider les clients et communautés à réduire l'impact dévastateur des inondations. Le programme de Zurich pour augmenter la résilience aux inondations constitue une nouvelle approche de collaboration intersectorielle, reposant sur une association novatrice qui combine étude des inondations, programmes centrés sur les communautés et expertise du risque. Cette collaboration inclut la Fédération internationale des Sociétés de la Croix-Rouge et du Croissant-Rouge (FICR) avec ses 187 sociétés nationales. Practical Action une organisation non gouvernementale internationale basée au Royaume-Uni, et deux instituts de recherche – l'Institut international pour l'analyse des systèmes appliqués (IIASA) et le Wharton Risk Management and Decision Processes Center. Les recherches menées avec ces institutions feront germer de nouvelles idées permettant une prise de décision plus efficace, tout en examinant le rôle du gouvernement et de l'assurance en matière d'inondations. Tous les membres de la collaboration entendent augmenter le bien-être des communautés en les rendant plus résilientes aux inondations. Nous cherchons à montrer l'intérêt de prévenir les catastrophes plutôt que d'en gérer les conséquences, et à faire avancer le débat public concernant la résilience aux inondations.

Zurich travaille avec ses partenaires d'alliance afin que les connaissances et les idées répondent aux besoins des communautés locales et puissent être mises en pratique sur le terrain. Dans le cadre de sa participation, Zurich fournit un financement, mais aussi des ressources telles que du temps, des connaissances et l'expertise de ses collaborateurs dans le monde entier. Les enseignements tirés de ces activités seront rendus publics et partagés avec un large groupe composé de clients, de gouvernements et de communautés.

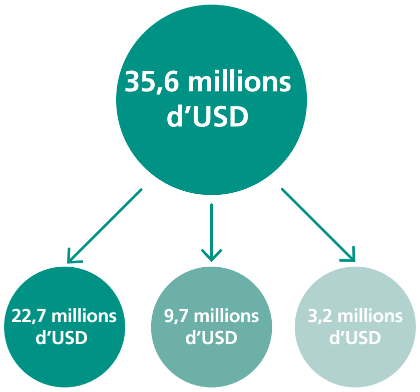
La fondation Z Zurich joue un rôle important dans notre programme de résilience aux inondations, car elle rassemble des participants clés par le biais d'alliances stratégiques à long terme. Cette relation étroite avec l'une des priorités de Zurich lui permet d'augmenter son impact sur des questions de portée mondiale.

Programmes:

Zurich a lancé un programme international de résilience aux inondations en 2013. Le programme comprend un engagement sur cinq ans et inclut un investissement initial de 35,6 millions d'USD par la fondation Z Zurich. La FICR a été la première à rejoindre cette nouvelle formation. En mars 2013, nous avons annoncé que nous allions renforcer une coopération existante avec cette organisation humanitaire qui inclut un engagement maximum de 22,7 millions d'USD sur cinq ans. Par l'intermédiaire de la FICR et des sociétés nationales de la Croix-Rouge, nous mettons en place des programmes de résilience aux inondations en milieu urbain et rural centrés sur les communautés. Les communautés prises en compte ont été sélectionnées sur la base d'une méthode d'évaluation des risques fondée sur

Création de valeur durable *suite*

Résilience aux inondations
Total des contributions de la fondation Z Zurich



Projet FICR[1]
Projet Practical Action[1]
Projets Wharton et IIASA[2]

[1] Engagement sur cinq ans à partir de 2013.
[2] Engagement sur quatre ans à partir de 2013.

Zurich a lancé un programme de résilience aux inondations en 2013.»

l'expertise de Zurich. Les programmes nationaux prioritaires allient nos connaissances et notre expérience en matière de gestion des risques à celles de la Croix-Rouge et des communautés locales.

Au cours de l'année, Zurich et la FICR ont pris les premières mesures pour lancer les programmes de résilience aux inondations dans la région de Tabasco au Mexique, en sa qualité de pays prioritaire. Après une évaluation par la Croix-Rouge mexicaine, Zurich et la FICR, les travaux ont débuté sur le terrain pour établir les relations nécessaires et définir un plan d'action détaillé. En 2013, nous avons aussi commencé à travailler en Indonésie avec la Croix-Rouge indonésienne, où un plan d'action détaillé est en cours d'élaboration. Ces programmes au Mexique et en Indonésie serviront de modèles pour les efforts futurs qui reposent sur nos compétences en matière d'ingénierie des risques et d'analyse, et complètent les connaissances et l'expérience de terrain de la FICR. Dans ces pays, nous testons également des manières de mesurer la résilience aux inondations des communautés par rapport à des indicateurs clés.

Dans le cadre de ce programme de résilience aux inondations, Zurich collabore également avec l'organisation de développement Practical Action, qui se concentre sur la recherche de solutions novatrices et durables à la pauvreté. En septembre 2013, dans le cadre de notre engagement stratégique d'accroître la résilience aux inondations, nous avons renforcé notre coopération avec Practical Action en nous engageant à investir un montant maximal de 9,7 millions d'USD sur cinq ans. La collaboration comprendra des projets au Népal, où nous travaillerons sur les systèmes d'alerte rapide qui permettent aux communautés de mieux se préparer aux crues soudaines. Nous chercherons aussi des moyens de renforcer la résilience aux inondations en milieu urbain au Pérou, et étudierons comment le phénomène El Niño affecte les risques d'inondations. Au Bangladesh, l'alliance aide des communautés et des individus à mieux faire face aux inondations récurrentes.

En juillet 2013, Zurich a ajouté deux institutions de recherche à ses alliances: l'IIASA, un organisme de recherche non gouvernemental situé en Autriche, et le Risk Management and Decision Processes Center à la Wharton School de l'université de Pennsylvanie aux Etats-Unis. Dans un premier temps, la priorité sera de combler les lacunes dans la recherche en matière de résilience aux inondations, et de développer un modèle basé sur des systèmes de facteurs de risque d'inondation. Nous avons aussi publié un livre blanc sur les inondations en Europe centrale en juin 2013 présentant des recommandations en vue d'atténuer les dommages de tels événements à l'avenir. Il contenait des observations d'ingénieurs en gestion des risques et d'experts des sinistres de Zurich, qui étaient sur le terrain juste après les inondations pour mieux comprendre la situation sur place.

Les collaborateurs de Zurich disposant des compétences requises ont la possibilité d'investir environ 500 jours de travail par an. Pour déployer efficacement leurs compétences et leurs ressources, et tenir nos engagements concernant le temps consacré par les collaborateurs, nous développons un programme de détachement permettant aux collaborateurs d'accorder leur temps, leur expertise et leurs compétences à des projets pour lesquels ils peuvent faire la différence. Des collaborateurs peuvent être affectés à un projet pour une durée convenue. La sélection sera effectuée en fonction de leur expertise et du soutien de leurs responsables. Les détachements peuvent se faire auprès des organisations partenaires de développement de Zurich telle que la FICR ou Practical Action, d'un partenaire de recherche tel que Wharton, l'IIASA, ou d'une société locale de la Croix-Rouge sur le terrain.

Investissement responsable des placements de notre Groupe
Objectif:
Zurich gère son portefeuille de plus de 200 milliards d'USD de placements en vue de générer des rendements supérieurs ajustés aux risques, tout en ayant un impact positif sur l'environnement, les communautés et la société. En 2012, nous avons développé un programme complet d'investissement responsable et avons signé les Principes pour l'Investissement Responsable (PRI). Zurich est d'avis que les facteurs environnementaux, sociaux et de gouvernance (ESG) peuvent avoir un impact considérable sur le risque et l'opportunité des placements, et a élaboré une approche fondée sur trois piliers pour soutenir ses objectifs d'investissement responsable. Ces trois priorités couvrent tous les aspects de notre investissement responsable. Nous cherchons à intégrer les facteurs ESG dans le processus d'investissement de toutes les classes d'actifs, en plus des indicateurs financiers traditionnels. Nous investissons dans des placements qui génèrent un impact positif ciblé et mesurable, et un rendement proportionné au risque. Par ces investissements

> Zurich investira jusqu'à 1 milliard d'USD en obligations vertes.»

responsables, nous entendons intégrer nos objectifs visant à favoriser le développement économique durable et à rendre les communautés plus résilientes. Nous consacrons également des ressources et nous engageons dans des initiatives de collaboration qui soutiennent l'avancée des pratiques d'investissement responsable, favorisant ainsi leur adoption par le plus grand nombre.

Programmes:
En 2013, Zurich a mené un projet pilote visant à élaborer une méthode d'intégration des facteurs ESG avec quatre de ses principales équipes internes chargées de la gestion de portefeuille. Nous avons aussi entièrement intégré une évaluation des pratiques d'investissement responsable dans notre processus de sélection des gérants de portefeuille pour les mandats externes. En 2012, nous avions fixé comme objectif de réduire de 20% (par rapport à 2010) les émissions de gaz à effet de serre de notre portefeuille suisse de placements immobiliers, qui représente plus de la moitié des investissements immobiliers du Groupe, d'ici à 2020. Dans le cadre de la stratégie d'investissement responsable, nous avons annoncé, en novembre 2013, un mandat géré par BlackRock visant à investir jusqu'à 1 milliard d'USD dans des obligations vertes émises par la Banque mondiale, la Société financière internationale et d'autres institutions de financement du développement. Le produit de ces obligations est utilisé exclusivement pour des projets qui atténuent le changement climatique ou aident des communautés à s'adapter aux conséquences du changement climatique.

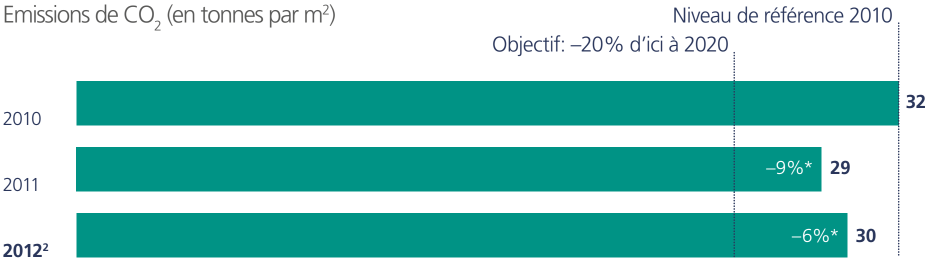
Durant l'année 2013, Zurich a poursuivi l'expansion de ses activités par des collaborations et maintenu ses efforts pour développer de nouvelles options. Avec PSI, une organisation non gouvernementale internationale dont la vocation est d'améliorer la santé des populations dans les pays en développement, nous avons lancé et financé un projet visant à déterminer le rôle que les capitaux en quête de rendement pourraient jouer pour aider les ONG à accroître leur impact, et quelles opportunités cela pourrait offrir aux «investisseurs responsables». Zurich est également devenue l'un des membres fondateurs de l'Investment Leaders Group (ILG). L'ILG rassemble douze propriétaires et gérants d'actifs majeurs pour un projet sur trois ans mené par le Programme for Sustainability Leadership de l'université de Cambridge, dont l'objectif est de contribuer à donner une plus grande place à la création de valeur responsable à long terme dans la chaîne d'investissement. Zurich a aussi poursuivi son engagement actif en tant que membre de la Green Growth Action Alliance, le groupe de collaboration pour les investissements à faible émission de carbone ClimateWise, et le groupe de travail PRI sur les investissements selon des critères environnementaux et sociaux.

Investissement responsable – indicateurs clés de performance

	2013	2012	Variation
Gérants de portefeuille externes signataires des PRI (en %)	58,3%	50,0%	8,3 pts
Placements du Groupe gérés par des signataires des PRI (en %)[1]	95,1%	92,2%	3,0 pts
Montant total des investissements responsables (en millions d'USD)[2]	236	25	851%
Total des placements du Groupe (en millions d'USD)	207 280	209 582	(1%)

[1] Y compris les actifs gérés par Zurich.
[2] Les investissements responsables sont composés à 100% d'obligations vertes en 2012 et 2013. Objectif de placement en obligations vertes: jusqu'à 1 milliard d'USD.

Impact de l'investissement immobilier[1]
Emissions de CO_2 (en tonnes par m^2)



* Variation totale par rapport au niveau de référence

[1] Le périmètre comprend les placements immobiliers en Suisse (61% de la valeur globale de l'investissement immobilier direct). La plupart des bâtiments du portefeuille de placements immobiliers ne sont pas utilisés par Zurich. L'empreinte écologique des immeubles destinés à l'usage propre de Zurich figure dans la partie consacrée à l'environnement de ce rapport de Zurich.
[2] Les données 2013 sur l'impact de l'investissement immobilier seront disponibles au deuxième trimestre 2014.

La responsabilité d'entreprise dans les transactions commerciales

Objectif:
Avec ses clients, courtiers et autres partenaires de distribution, Zurich s'engage pour garantir des pratiques commerciales responsables et durables et pour protéger les réputations tout en encourageant les meilleures pratiques dans la gestion des risques environnementaux, sociaux et de gouvernance. Notre but est de promouvoir des meilleures pratiques reconnues à l'échelle internationale qui aident à garantir une gestion adéquate des impacts sociaux, environnementaux et économiques potentiellement négatifs. Ce faisant, nous intégrons notre engagement en matière de responsabilité d'entreprise et le Pacte Mondial de l'ONU dans nos décisions de souscription et nos décisions commerciales.

Création de valeur durable *suite*

Des collaborateurs de 43 pays ont pris part à la Semaine mondiale de la communauté 2013.»

Programmes:
En 2013, Zurich a développé et introduit une approche en trois étapes qui identifie, évalue et atténue de manière systématique les risques environnementaux, sociaux et éthiques majeurs inhérents à certaines transactions commerciales. Sur la base de notre méthode de profilage des risques, nous nous sommes concentrés sur quatre domaines critiques: les armes à sous-munitions interdites et les mines antipersonnel, les risques en matière de gouvernance, de droits humains et d'environnement dans la construction de barrages, l'industrie minière et les activités pétrolières et gazières. Pour chaque domaine, nous avons rédigé un document d'information sur la responsabilité d'entreprise qui présente notre position et les meilleures pratiques en la matière. Nous donnons aussi des conseils et des formations pour les souscripteurs et d'autres groupes de parties prenantes, et avons introduit des processus d'évaluation et d'orientation en matière de risques liés à la responsabilité d'entreprise. En 2013, nous avons également commencé à communiquer auprès des courtiers et de notre clientèle de grands comptes afin de promouvoir les meilleures pratiques en matière de responsabilité d'entreprise.

Investir dans nos communautés locales

Objectif:
Grâce à des programmes locaux et à la fondation Z Zurich, Zurich partage ses ressources et son savoir-faire pour contribuer à rendre des communautés plus résilientes. Ce type d'investissement a un impact positif sur les communautés locales, en contribuant à leur bien-être et en encourageant un développement durable qui dépasse la valeur sociale et économique de notre activité.

Programmes:
Zurich favorise et soutient le développement d'activités centrées sur les communautés locales à long terme menées par des agences locales, ce qui leur permet de partager plus facilement conseils et meilleures pratiques au sein du Groupe, tout en donnant accès à un financement par la fondation Z Zurich. En 2013, la fondation a soutenu Zurich North America dans ses efforts pour aider à reconstruire des quartiers de Staten Island dévastés par la tempête Sandy, et Zurich Nordic dans l'élaboration d'un programme de mentorat avec de jeunes adultes défavorisés.

Zurich a aussi apporté son soutien à des communautés par le biais de sa deuxième Semaine mondiale de la communauté en juin 2013. Les collaborateurs ont offert environ 28 000 heures de travail, soit près de trois fois plus qu'en 2012, et collecté environ 1 million d'USD de contributions en argent et en nature (subvention de la fondation Z Zurich comprise). La participation à des activités en faveur des communautés locales a doublé pour atteindre 24% des collaborateurs en 2013, contre 12% en 2012. Des collaborateurs de 43 pays ont participé à 700 projets uniques (contre 34 pays et 278 projets en 2012). De nombreuses agences Zurich examinent comment développer les activités de la Semaine mondiale de la communauté et constituer des alliances à long terme avec leurs communautés locales afin qu'elles en bénéficient tout au long de l'année.

Performance environnementale, santé et sécurité dans nos immeubles de bureaux

Objectif:
Chez Zurich, nous nous soucions de notre impact sur l'environnement. En améliorant notre performance opérationnelle en termes d'environnement, nous entendons réduire notre impact environnemental direct et

Semaine mondiale de la communauté – indicateurs clés de performance

	2013	2012	Variation
Contributions (en millions d'USD)	0,8	0,1	656%
dont contributions des collaborateurs (en millions d'USD)	0,4	0,1	296%
dont contributions de la fondation Z Zurich (en millions d'USD)	0,4	–	–
Temps total consacré par les collaborateurs (heures de travail)	28 000	10 000	180%
Collaborateurs se portant activement volontaires (en %)	24%	12%	12,0 pts
Pays participant	43	34	26%
Nombre total de projets	700	278	152%

Fin 2012, Zurich avait dépassé son objectif de réduction des émissions de CO_2.»

indirect, conformément à la politique environnementale du Groupe. Par exemple, notre objectif est de créer des immeubles de bureaux véritablement intelligents, novateurs et durables. Nous gérons nos immeubles de bureaux conformément aux meilleures pratiques reconnues qui tiennent compte de l'empreinte écologique et des améliorations possibles de l'efficacité énergétique. En outre, nous cherchons à limiter les déplacements professionnels en renforçant l'utilisation de technologies telles que les vidéoconférences. Zurich fixe des objectifs environnementaux clairs et s'efforce d'augmenter la transparence des données, la qualité et l'étendue des rapports dans les domaines pertinents pour l'environnement. En plus de fixer des objectifs concrets, nous mesurons et communiquons notre performance environnementale en utilisant des indicateurs de performance clés.

En termes de santé et de sécurité, nous veillons à assurer le bien-être dans l'environnement de travail, en prenant des précautions pour éviter que des personnes tombent malades ou travaillent dans des conditions qui pourraient présenter un risque pour la santé.

Programmes:
En 2013, Zurich a lancé un système de management environnemental à l'échelle du Groupe qui inclut un logiciel de reporting environnemental leader sur le marché, qui renforcera et intégrera les activités existantes de l'entreprise. En outre, il nous permettra de mesurer précisément et d'améliorer en permanence notre empreinte écologique dans tous les pays dans lesquels nous sommes présents. Outre la réduction de notre empreinte carbone globale, ce système examine d'autres domaines de l'impact environnemental de nos immeubles de bureaux, tels que l'utilisation de papier, la consommation d'eau et la production de déchets. Un réseau mondial de responsables environnement gère des initiatives dans le monde entier pour réduire activement l'empreinte écologique de Zurich et favoriser les progrès vers la réalisation de nos objectifs environnementaux.

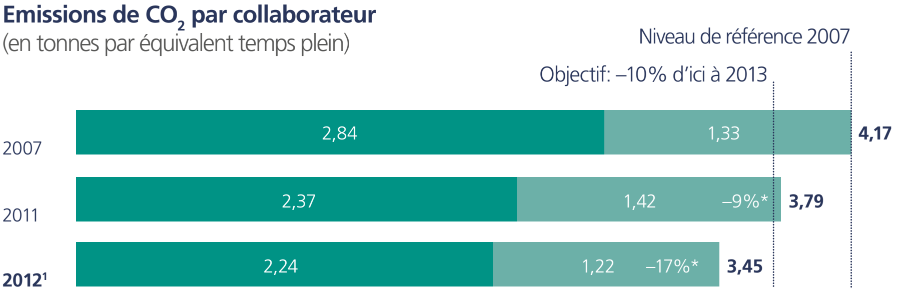
Nous développons des immeubles de bureaux à haute performance énergétique, et installons des technologies dans le but de produire de l'énergie pour notre propre usage. SkyKey à Zurich, notre nouveau siège pour le marché suisse, offrira des places de travail durables à environ 2 500 collaborateurs internes et externes et devrait obtenir le niveau le plus élevé du classement («platine») du système de certification Leadership in Energy & Environmental Design (LEED). Pour les chasses d'eau, le bâtiment utilisera l'eau de pluie et l'eau du robinet recyclée grâce à un réservoir d'eau de 100 000 litres. Il intègre des matériaux de construction respectueux de l'environnement issus de la région.

Quant à la thématique de la santé et la sécurité, les projets que nous avons initiés en 2013 comprenaient un plan de déploiement échelonné d'un système global de gestion des incidents liés à la santé et à la sécurité, qui a été lancé au Royaume-Uni, en Afrique du Sud, en Australie et en Nouvelle-Zélande. Nous avons aussi déployé un module global de formation initiale en matière de santé et de sécurité dans tous les pays dont l'anglais est la première langue, ainsi qu'à Hong Kong. Dans certains pays, ce module a été si apprécié que les agences locales ont exigé que non seulement les nouveaux collaborateurs y participent, mais aussi tous les collaborateurs existants. Il est en cours de traduction dans neuf autres langues pour un déploiement véritablement mondial en 2014.

Performance:
En 2008, nous nous sommes engagés à réduire notre empreinte carbone par collaborateur de 10% d'ici à 2013, par rapport à un niveau de référence de 2007. A fin 2012, Zurich avait dépassé cet objectif et réduit les émissions de CO_2 par collaborateur de 17%. Nos efforts pour atteindre cet objectif comprenaient l'adoption de mesures d'amélioration de l'efficacité énergétique et une meilleure utilisation de l'espace dans les immeubles de

Environnement – indicateurs clés de performance

Emissions de CO_2 par collaborateur
(en tonnes par équivalent temps plein)



* Variation totale par rapport au niveau de référence

Emissions de CO_2 liées aux immeubles[2]
Emissions de CO_2 liées aux déplacements[3]

[1] Les données 2013 seront disponibles au deuxième trimestre 2014, la méthode de calcul est en cours de révision.
[2] Inclut les émissions des immeubles à usage propre (électricité et chauffage).
[3] Inclut les émissions des déplacements en avion et en voiture (voitures de location et flotte de véhicules).

Création de valeur durable *suite*

> Notre stratégie de diversité et d'inclusion vise à garantir que nos collaborateurs reflètent notre base de clientèle.»

bureaux, l'achat d'énergie renouvelable et la réduction des voyages d'affaires. Les nouveaux objectifs environnementaux du Groupe seront communiqués au deuxième trimestre 2014. Ceux-ci incluront notamment une nouvelle réduction des émissions de CO_2.

Approvisionnement et achat responsables
Objectif:
Vu la nature de ses activités, Zurich est essentiellement un consommateur de services, et pas de produits ni de matières premières. Par rapport à d'autres secteurs industriels tels que l'industrie manufacturière, les risques associés à l'impact environnemental, social et en termes de gouvernance de la chaîne d'approvisionnement de Zurich sont faibles. Néanmoins, nous nous efforçons de gérer efficacement ces questions dans notre chaîne d'approvisionnement. Nous cherchons à travailler avec des fournisseurs qui partagent nos valeurs, et attendons un comportement irréprochable de ceux qui nous représentent ou travaillent avec nous.

Programmes:
En 2013, Zurich a introduit le cadre de contrôle pour les contrats de fourniture. Des clauses de responsabilité d'entreprise reflétant les critères du Pacte Mondial de l'ONU sont incluses dans les gros contrats. Pendant toute la durée du contrat, le respect de ces obligations par les fournisseurs est examiné régulièrement dans le cadre du processus de suivi des fournisseurs.

Nos collaborateurs

La gestion efficace des collaborateurs joue un rôle clé dans la stratégie de Zurich. Nous adoptons une approche globale à l'égard du développement de nos collaborateurs ainsi que de la fidélisation et du recrutement des talents.

Aperçu du Groupe
Les pratiques de gestion des collaborateurs de Zurich sont conformes à notre ambition d'être le meilleur assureur mondial aux yeux de nos clients, de nos collaborateurs et de nos actionnaires, tout en apportant une contribution positive aux communautés au sein desquelles nous vivons et travaillons. Notre approche de gestion des collaborateurs est conçue pour profiter à notre activité, en nous aidant à nous adapter à un environnement de marché changeant et à répondre aux besoins des clients, tout en guidant l'organisation et nos collaborateurs à travers le changement. Une gestion efficace des collaborateurs nous permettra d'avoir les compétences et les talents dont nous avons besoin pour atteindre nos objectifs commerciaux et nous positionner en tant qu'employeur de choix dans le secteur de l'assurance.

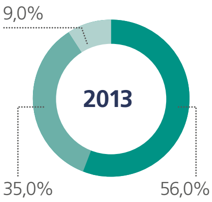
Nos pratiques globales favorisent la cohérence et un sentiment d'unité pour nos collaborateurs. Nous pouvons offrir des opportunités de carrière internationale dans des domaines tels que l'ingénierie des risques, le marketing, les sinistres, les ressources humaines, la finance, la souscription, l'informatique ou la gestion des investissements, pour ne citer que ceux-là. La mobilité joue un rôle important en la matière et inclut des rotations internationales qui permettent aux collaborateurs de travailler dans différents pays et cultures tout en offrant la souplesse de déployer les compétences là où elles sont requises. En outre, les collaborateurs gagnent à travailler dans un environnement où ils peuvent apprendre des autres et acquérir des connaissances approfondies grâce à différentes perspectives. Notre but est d'offrir à l'ensemble de nos collaborateurs des opportunités de développement et d'apprentissage à long terme.

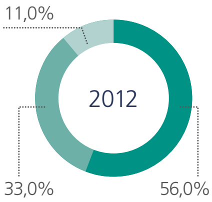
Nous voulons que nos collaborateurs fassent la différence dans le monde et dans nos communautés. Nous encourageons nos collaborateurs à vivre selon nos valeurs essentielles, les Zurich Basics, ainsi qu'à assumer la responsabilité et à prendre soin des clients, des collègues, des actionnaires et des communautés conformément au Zurich Commitment – notre engagement vis-à-vis des parties prenantes. Nous en tenons nos collaborateurs pour responsables.

Aperçu du Groupe – indicateurs clés de performance relatifs aux collaborateurs

	2013	2012	Variation
Nombre total de collaborateurs – effectifs	56 565	56 781	(0%)
Nombre total de collaborateurs – collaborateurs à plein temps	55 102	55 312	(0%)
Taux de rotation (en %)	12,3%	12,7%	(0,4 pts)
Durée moyenne en poste (en années)	9	9	n.d.

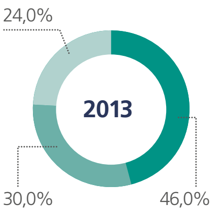
Nationalités représentées au sein de la Direction générale

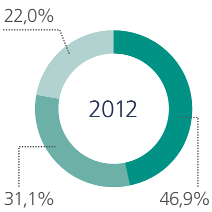




Europe
Amérique du Nord
Autres régions

Nationalités représentées au sein du personnel





Europe
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Autres régions

Créer des talents

Objectif:

Attirer et fidéliser des collaborateurs talentueux et d'horizons divers constitue l'un de nos objectifs stratégiques. Notre approche globale, soutenue par les structures régionales, nous aide à attirer, retenir et développer les bons candidats pour assurer notre compétitivité à l'avenir.

Chez Zurich, nous cherchons à créer une organisation plus simple et plus efficiente avec des responsabilités claires en matière de résultats. Dans le cadre de la stratégie 2014–2016 de Zurich, nous mettrons de plus en plus l'accent sur le centrage sur le client et la croissance. Pour veiller à attirer et à retenir les meilleurs talents pour notre stratégie, nous continuons à élaborer une approche en matière d'acquisition et de gestion des talents qui nous permet de proposer des talents là où nous en avons besoin, au bon moment, au bon endroit, et à la bonne fonction grâce à des viviers de talents et des pratiques de planification de la succession solides. Dans le cadre de nos efforts de création de talents, la diversité et l'inclusion (D&I) sont cruciales pour notre succès. Notre stratégie de diversité et d'inclusion à l'échelle du Groupe est ancrée dans notre fonctionnement, et vise à garantir que nos collaborateurs reflètent la diversité de nos clients dans les différentes communautés dans lesquelles nous opérons. Cela fait partie de notre identité et contribue à positionner Zurich en tant qu'employeur de choix, tout en favorisant des perspectives différentes pour promouvoir l'innovation et l'apprentissage pour tous.

Programmes:

En 2013, le Chief Executive Officer de Zurich et le Comité exécutif du Groupe ont approuvé une stratégie de diversité et d'inclusion à l'échelle du Groupe qui contribue à garantir que les meilleurs et les plus brillants collaborateurs souhaitent travailler pour Zurich. Notre culture fédératrice offre des opportunités de développement et d'apprentissage à long terme permettant à tous les collaborateurs de réaliser leur plein potentiel. Nous alignons notre approche en matière de recrutement de talents afin de faire en sorte que notre démarche d'inclusion soit totalement intégrée dans nos pratiques de recherche et de sélection. Nos collaborateurs doivent refléter la variété et la diversité de nos clients dans le monde.

En 2013, dans le cadre de nos efforts pour créer une approche globale en matière de gestion des talents, nous avons fait réaliser un système global de gestion des recrutements comprenant un tableau d'affichage interne général de tous les emplois qui garantie la transparence des opportunités de carrières internationales pour les collaborateurs du monde entier, contribuant ainsi à favoriser une plus forte mobilité internationale. Le déploiement de la plateforme internationale a débuté en 2013 en Europe et se poursuivra en 2014 avec des déploiements prévus en Amérique latine, au Moyen-Orient et en Afrique.

Favoriser la performance des ressources humaines

Objectif:

Dans le domaine des ressources humaines, nous utilisons des «données de base» et une technologie dont la gestion est centralisée pour étayer les pratiques de nos collaborateurs. Plus de 95% de nos collaborateurs dans le monde ont accès à la technologie RH qui permet aux collaborateurs et aux responsables d'effectuer certaines opérations «self-service». Des processus RH centralisés et efficaces sont fondamentaux pour aider Zurich à tenir les engagements de sa stratégie en matière de ressources humaines.

Programmes:

Par exemple, pour répondre aux besoins en matière de gestion des ressources humaines du monde moderne grâce à des outils RH spécifiques, nous déployons un système global de gestion des talents visant à garantir une solide planification de la succession et des viviers de talents importants. Par ailleurs, l'exploitation des indicateurs clés de Zurich Workforce Analytics concernant le capital humain permet à toute l'organisation d'établir des priorités dans les mesures à mettre en œuvre sur la base de données et mesures

Création de talents – indicateurs clés de performance

	2013	2012	Variation
Taux de femmes parmi les effectifs (en %)	52,6%	52,6%	n.d.
Proportion de femmes au sein de la Direction générale (en %)	16,0%	16,0%	n.d.

Création de valeur durable *suite*

cohérentes. La technologie joue aussi un rôle important en termes d'administration de la gestion des collaborateurs, par exemple, dans nos centres de services RH sur différents sites – dont certains ont été reconnus à l'extérieur pour la qualité du service fourni. Cette approche nous aide à fournir des services RH ciblés à nos collaborateurs et candidats, et à évaluer les commentaires des clients pour nous améliorer en permanence.

Développer nos collaborateurs

Objectif:

Nous soutenons l'apprentissage et le développement pour tous les collaborateurs. Le développement des collaborateurs est un élément essentiel de l'ambition de Zurich d'être la meilleure compagnie d'assurances au monde, ainsi que de notre stratégie 2014–2016. Notre but est d'offrir des opportunités de développement personnel et de carrière correspondant à ce dont nous avons besoin pour atteindre nos objectifs. Les collaborateurs gèrent leur propre carrière, et les responsables hiérarchiques sont chargés d'apporter leur soutien en termes de développement sur le lieu de travail, de conseils sur la carrière, de coaching, d'évaluations et d'encouragements. Les collaborateurs sont invités à concevoir un programme de perfectionnement individuel (Individual Development Plan), qui est un outil clé pour comprendre leur apprentissage personnel et le développement de leur carrière.

Programmes:

En 2013, nous avons nommé un Chief Learning Officer. Cette nouvelle fonction est chargée de définir et de développer une approche globale de l'apprentissage. Une stratégie d'apprentissage globale a été approuvée au printemps 2013 par le Chief Executive Officer et le Comité exécutif du Groupe. Elle a été conçue pour que tous les collaborateurs soient formés selon les besoins commerciaux, et qu'une forte culture de leadership soit ancrée à tous les niveaux de l'organisation pour soutenir la fidélisation et le recrutement de talents. Nous avons lancé un programme de formation pour les nouveaux collaborateurs ainsi qu'un cours pour les cadres dirigeants. Nous continuons à développer les académies techniques dans l'organisation. D'autres programmes pour les nouveaux cadres et des programmes de développement du leadership sont prévus pour 2014.

Nos activités globales aident les collaborateurs à prendre le contrôle de leur propre carrière et à atteindre leur plein potentiel. Les programmes de perfectionnement individuels et les évaluations de compétences de Zurich soutiennent le développement de leurs compétences et capacités pour répondre aux besoins commerciaux.

Créer un environnement de travail hautement performant

Objectif:

Nous promouvons une organisation qui stimule et motive les collaborateurs et les rend fiers d'appartenir à Zurich. Nous voulons créer un environnement de travail dans lequel chacun peut exprimer son plein potentiel. Notre objectif est d'encourager un état d'esprit centré sur le client et d'intégrer cet aspect dans les processus et pratiques de gestion des ressources humaines. Ceci est crucial pour notre réussite commerciale. Cela nous permet aussi d'utiliser au mieux nos ressources en employant les personnes aux fonctions les mieux adaptées à leurs compétences et ambitions et nous donne la possibilité de puiser dans un vivier de talents global. Nous encourageons un environnement dans lequel la question de la performance est abordée ouvertement. Respecter notre Zurich Commitment est un élément important permettant de favoriser l'engagement et ainsi les résultats commerciaux. Nous gérons la performance conformément à nos principes, qui reposent sur les Zurich Basics, le code de conduite de notre Groupe, et à nos objectifs stratégiques. Pour nous aider à y parvenir, nos cadres dirigeants sont à l'écoute des collaborateurs et tiennent compte de leurs commentaires. Zurich déploie une activité mondiale; s'adapter à un marché mondial en mutation est essen-

Développement des collaborateurs – indicateurs clés de performance

	2013	2012	Variation
Employés avec un programme de perfectionnement individuel (en %)	**75,5%**	**74,1%**	**1,4 pts**
Apprenants actifs (en %)[1]	**96,9%**	**89,6%**	**7,3 pts**

[1] Collaborateurs ayant suivi au moins une formation pendant l'exercice sous revue.

tiel pour conserver un avantage concurrentiel. Tandis que nous nous concentrons sur le recrutement et la fidélisation des talents, nos pratiques en matière de gestion des ressources humaines doivent aussi nous aider à changer l'organisation pour qu'elle reste un leader du marché, et une organisation où les intérêts de nos clients sont notre priorité.

Programmes:
Zurich s'engage à servir nos principaux groupes de parties prenantes. Pour renforcer cet engagement, en 2013, la performance de notre équipe dirigeante a été mesurée en fonction des résultats et du comportement requis par notre Zurich Commitment. En 2014, le travail et le comportement de tous les collaborateurs seront évalués de la même manière grâce à notre processus standard de gestion de la performance.

Dans le cadre de nos efforts visant à assurer que nous avons les bonnes personnes aux bons postes, nous avons continué à avancer dans l'évaluation systématique de toutes les fonctions au sein de l'organisation dans le but d'établir une cohérence globale dans les structures de fonctions et la structure de rémunération. Les avantages d'une évaluation globale des fonctions pour les collaborateurs et l'organisation sont l'assurance d'une approche globale cohérente des fonctions et hiérarchies, qui nous aide au final à faire en sorte d'avoir les personnes avec les compétences nécessaires au bon poste et au bon moment.

Nous répondons au besoin de placer nos clients au centre de nos activités en développant nos capacités de gestion du changement ainsi qu'en intégrant la perspective du client dans les activités de nos collaborateurs pour attirer et gérer les talents, et dans nos programmes de développement du leadership.

Nous nous appuyons aussi sur des sondages globaux sur l'engagement des collaborateurs, qui sont des sondages en ligne anonymes et facultatifs menés dans le monde entier tous les deux ans, pour façonner l'avenir de l'entreprise. Ces sondages nous permettent de suivre les progrès réalisés, sur la base de la perception des collaborateurs, en matière de respect de notre stratégie et de nos priorités. Les sondages 2013 ont obtenu un taux de réponse des collaborateurs de 74%. Les informations fournies par les résultats des sondages seront utilisées par les dirigeants et les responsables pour planifier des interventions visant à améliorer encore l'engagement et la mobilisation des collaborateurs en 2014.

Environnement de travail hautement performant – indicateurs clés de performance

	2013	2012	Variation
Taux de participation au sondage global sur l'engagement des collaborateurs (en %)	**74,0%**	**78,0%**[1]	**(4,0 pts)**
Degré d'engagement des collaborateurs (en %)	**65,0%**	**66,0%**[1]	**(1,0 pts)**
Taux de fidélisation des collaborateurs très performants (en %)[2]	**94,8%**	**94,6%**	**0,3 pts**
Taux de rotation des collaborateurs peu performants (en %)[3]	**43,5%**	**42,4%**	**1,2 pts**

[1] Le sondage global sur l'engagement des collaborateurs est réalisé tous les 2 ans, les données de l'année précédente sont donc celles de 2011 et non 2012.
[2] Par «collaborateurs très performants» on entend les collaborateurs ayant obtenu une note de performance de 4 ou 5 (5 étant la note maximale) pendant deux années consécutives.
[3] Par «collaborateurs peu performants» on entend les collaborateurs ayant obtenu une note de performance de 1 ou 2 (5 étant la note maximale) au cours d'un an.

Gouvernance

Dans cette section

Message du président du Conseil d'administration sur la gouvernance d'entreprise

Mesdames, Messieurs les actionnaires,

Zurich a passé un été 2013 difficile suite au décès de notre Chief Financial Officer et à la démission de notre ancien président. Tout au long de cette période délicate, les collaborateurs, l'équipe de direction et le Conseil d'administration sont restés concentrés sur leurs objectifs. Le cadre de gouvernance d'entreprise de Zurich a prouvé sa robustesse face à ce type de scénario, nous fournissant les procédures efficaces dont nous avions besoin pour prendre les mesures qui s'imposaient.

Durant cette période, j'ai assumé la fonction de président du Conseil d'administration, supervisant les efforts en vue de conserver la confiance de nos parties prenantes dans la force et la capacité de résilience de Zurich.

Lorsque j'ai été nommé, je vous ai promis que ma préoccupation centrale serait de maintenir la stabilité de la société, notre priorité absolue étant qu'elle soit dotée d'une équipe de direction solide.

Nous sommes en bonne voie pour atteindre cet objectif. Comme annoncé le 16 décembre 2013, George Quinn a été nommé Group Chief Financial Officer et membre du Comité exécutif du Groupe (GEC), avec effet au 1er mai 2014. Le 8 janvier 2014, nous avons annoncé la nomination de Robert Dickie en tant que Chief Operations and Technology Officer et membre du GEC, avec effet au 17 mars 2014. Tous deux jouissent d'une longue expérience dans leurs domaines de spécialisation respectifs. Le Conseil d'administration est convaincu que leur savoir-faire et leur expertise seront d'une grande utilité au GEC. Ils contribueront en particulier à la réalisation de la stratégie de Zurich telle que définie lors de notre Journée des investisseurs et aideront Zurich à franchir la prochaine étape de son développement.

Pour ce qui est du Conseil d'administration, en 2013, en plus de ma nomination, Fred Kindle a assumé la fonction de vice-président l'été dernier et Monica Mächler a été élue membre du Conseil en avril.

Chaque année, le Conseil d'administration se soumet à une auto-évaluation et tous les trois ou quatre ans, un consultant externe réalise un examen indépendant du Conseil d'administration. En 2013, conformément à ce calendrier prescrit, l'examen indépendant a donc été réalisé par un consultant. L'examen a porté sur trois aspects clés visant à mesurer l'efficacité du Conseil d'administration: l'environnement du Conseil d'administration (culture et composition), son travail (stratégie, risque et contrôle, et gestion de la performance), et l'utilisation du temps et les processus (planification et allocation). Un rapport détaillé a été rédigé à l'intention du Conseil d'administration et les recommandations sont actuellement mises en œuvre.

Lorsque j’ai été nommé, je vous ai promis que ma préoccupation centrale serait de maintenir la stabilité de la société, notre priorité absolue étant qu’elle soit dotée d’une équipe de direction solide.»

Dans le domaine de la gouvernance d’entreprise, la tendance est clairement à l’évolution vers une plus grande transparence et au renforcement de la position des actionnaires. La Suisse est à la pointe de ces évolutions. Le 3 mars 2013, le peuple suisse a approuvé l’initiative «Minder». Ce vote a débouché sur un amendement de la Constitution fédérale suisse instaurant des règles plus strictes en matière de gouvernance d’entreprise pour les sociétés cotées à la Bourse suisse. Nous avons surveillé de près les discussions et le processus qui ont abouti à l’ordonnance contre les rémunérations abusives dans les sociétés anonymes cotées en bourse, publiée par le Conseil fédéral le 20 novembre 2013 et entrée en vigueur le 1er janvier 2014. Lors de l’Assemblée générale ordinaire du 2 avril 2014, vous serez invités à vous prononcer sur les statuts révisés en fonction de ladite ordonnance.

Mes collègues du Conseil d’administration et moi-même tenons à vous remercier de votre soutien sans faille. Notre engagement envers vous, nos actionnaires, mais aussi envers nos clients, nos collaborateurs et les communautés dans lesquelles nous vivons et travaillons, nous impose de conserver notre place de premier plan dans le secteur de l’assurance grâce à une croissance rentable. Pour y parvenir, nous allons maintenir et renforcer encore notre système de gouvernance d’entreprise.

Tom de Swaan
Président du Conseil d’administration

Rapport sur la gouvernance d'entreprise

Grâce à une gouvernance d'entreprise bien conçue, Zurich peut créer une valeur durable pour ses actionnaires, clients, collaborateurs et autres parties prenantes.

Le présent rapport décrit les structures, règles et processus mis en place afin de permettre au Conseil d'administration et à la Direction générale de Zurich d'assurer une gouvernance efficace. Ce rapport fait également état du travail accompli par le Conseil d'administration et ses comités.

Sommaire

Introduction

Zurich Insurance Group, composé de Zurich Insurance Group SA et ses sociétés affiliées (le «Groupe» ou «Zurich») s'engage à pratiquer une gouvernance d'entreprise efficace, fondée sur les principes de l'équité, de la transparence et de la responsabilité dans l'intérêt de ses actionnaires, ses clients, ses collaborateurs et autres parties prenantes. Les structures, les règlements et les processus sont conçus de manière à assurer une organisation et une direction des affaires correctes au sein de Zurich ainsi qu'à définir les pouvoirs et les responsabilités de ses organes et collaborateurs.

Le présent rapport décrit l'approche du Groupe en matière de gouvernance d'entreprise et en présente les éléments clés. Il inclut les informations exigées par les règlements suivants et auxquels Zurich se conforme:

- Directive concernant les informations relatives à la Corporate Governance de la SIX Swiss Exchange (version du 29 octobre 2008 entrée en vigueur le 1er juillet 2009);

- Code suisse de bonne pratique pour le gouvernement d'entreprise (Code suisse de bonne pratique), publié en 2002 par economiesuisse, dans sa version modifiée d'octobre 2007.

- Le Groupe continue de publier une Déclaration de gestion des risques et de contrôle interne (voir pages 67 à 69) conformément aux directives sur le contrôle interne «Internal Control: Revised Guidance to Directors on the UK Corporate Governance Code» (connues autrefois sous l'appellation «Turnbull Guidance») applicables au Royaume-Uni dans leur version d'octobre 2005.

Zurich Insurance Group SA est cotée à la SIX Swiss Exchange. Certaines sociétés du Groupe ont des obligations cotées émises dans le cadre du programme Euro Medium Term Note et d'autres instruments financiers.

Zurich Insurance Group est assujetti à la surveillance des groupes d'assurance de l'Autorité fédérale suisse de surveillance des marchés financiers (FINMA). Dans son décret du 28 décembre 2011, la FINMA stipule que Zurich est soumise à la surveillance des groupes d'assurance en vertu de l'article 64 et suivants de la Loi fédérale sur la surveillance des entreprises d'assurance («LSA») et n'est plus qualifiée de conglomérat. La Commission paritaire des autorités de surveillance européennes a également donné au Groupe la désignation de groupe d'assurance et non de conglomérat d'assurance au vu de la taille réduite des activités hors assurance du Groupe. La LSA impose aux entreprises et aux groupes d'assurance suisses d'instaurer et d'entretenir des systèmes de gouvernance et de gestion des risques performants ainsi que des systèmes de contrôle interne efficaces adaptés à leurs activités commerciales. Elle prescrit le calcul d'une marge de solvabilité fondée sur les risques tant au niveau du Groupe que de ses entités légales, conformément au Test Suisse de Solvabilité (SST), de même qu'une marge de Solvabilité I. Toutes les grandes transactions internes du Groupe doivent faire l'objet d'un rapport à la FINMA. Hormis la surveillance du Groupe et des entités juridiques de Zurich Compagnie d'Assurances SA et de Zurich Compagnie d'Assurances sur la Vie SA exercée par la FINMA, les filiales d'assurance et les autres prestataires de services financiers du Groupe sont surveillés par des autorités de surveillance régionales et locales compétentes.

Les principes de la gouvernance d'entreprise et les normes décrites ci-dessus sont intégrés dans de nombreux documents publiés par l'entreprise, en particulier dans les statuts, les règlements organisationnels ainsi que les chartes des comités du Conseil d'administration. Le Comité de gouvernance et des nominations, qui est responsable de la gouvernance au sein du Groupe, la compare régulièrement aux meilleures pratiques reconnues et veille à ce qu'elle soit conforme aux exigences qui lui sont propres.

Une structure efficace est en place afin d'assurer la coopération entre le Conseil d'administration de Zurich Insurance Group SA, la Direction générale et les fonctions de contrôle interne. Cette structure veille à équilibrer les responsabilités. Elle a également pour but d'assurer l'indépendance institutionnelle du Conseil d'administration vis-à-vis du Chief Executive Officer du Groupe (CEO) et du Comité exécutif du Groupe (GEC), lesquels sont responsables, ensemble, de la gestion du Groupe au quotidien. Le Conseil d'administration est composé uniquement de membres sans pouvoir exécutif et indépendants de la Direction générale. Les fonctions de président du Conseil d'administration et de CEO sont dissociées, ce qui garantit la séparation des pouvoirs entre les fonctions et assure l'autonomie du Conseil d'administration.

La structure du présent rapport suit pour l'essentiel les recommandations formulées dans la Directive concernant les informations relatives à la Corporate Governance de la SIX Swiss Exchange. Le chapitre consacré aux rémunérations et participations des membres du Conseil d'administration et des membres du GEC, ainsi qu'aux prêts qui leur sont octroyés, fait l'objet d'un rapport distinct: le Rapport sur les rémunérations (voir pages 70 à 99), qui est un supplément au présent Rapport sur la gouvernance d'entreprise. Il contient également les informations requises par la circulaire 2010/1 sur les systèmes de rémunération (normes minimales des systèmes de rémunération dans les établissements financiers) publiée par l'Autorité fédérale de surveillance des marchés financiers (FINMA) le 21 octobre 2009, dans sa version modifiée du 1er juin 2012.

Rapport sur la gouvernance d'entreprise *suite*

Les principales évolutions de la gouvernance en 2013 en un coup d'œil
au 31 décembre 2013

Conseil d'administration	Comité exécutif du Groupe (Group Executive Committee – GEC)	Autres
Elections: • Tom de Swaan, ancien vice-président, élu président[1] • Fred Kindle, ancien administrateur, élu vice-président[1] • Monica Mächler, nouvellement élue administratrice[2]	Changement de fonction: • Kristof Terryn, CEO Global Life, ancien Group Head of Operations	Nouvelles nominations: • Markus Nordlin, Group Head of Operations (par intérim)[3] • Vibhu Sharma, Chief Financial Officer (par intérim)[3]
Départs: • Josef Ackermann, ancien président • Armin Meyer, ancien administrateur	Départs: • Kevin Hogan, ancien CEO Global Life • Pierre Wauthier, ancien Chief Financial Officer	

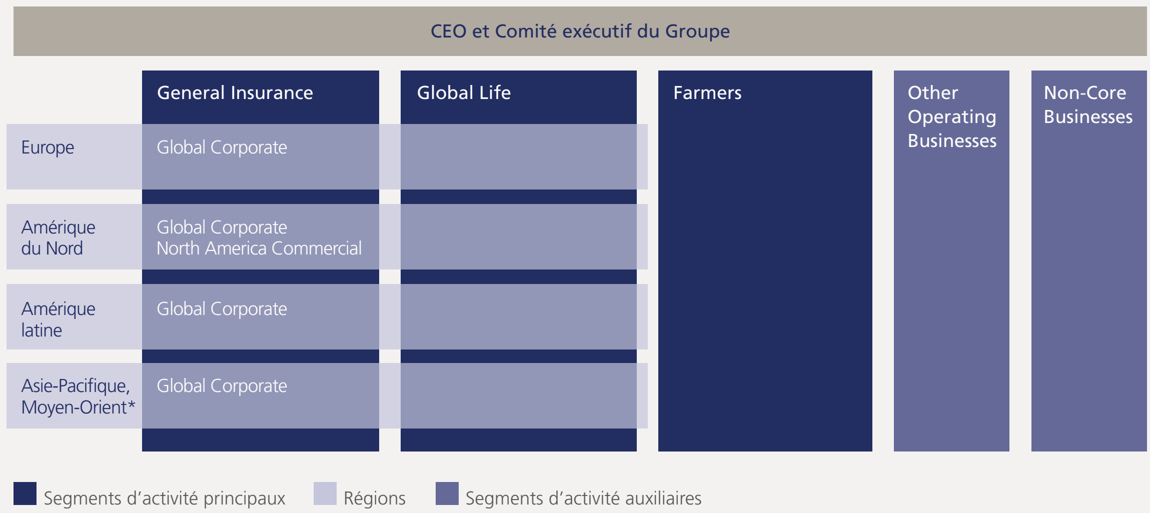
[1]Elu par le Conseil d'administration [2]Elue par l'Assemblée générale [3]Non membres du GEC

Structure du Groupe et actionnaires

Structure opérationnelle du Groupe

Zurich Insurance Group SA, la société holding du Groupe, est une société suisse organisée en conformité avec la législation suisse. Au cours des dernières années, Zurich a allégé son portefeuille d'activités pour se concentrer sur l'assurance.

Structure opérationnelle du Groupe
au 31 décembre 2013



*Inclut l'Afrique pour General Insurance

Le Groupe poursuit une stratégie centrée sur les clients et est géré sur un modèle matriciel correspondant à la fois aux branches d'activités et à la répartition géographique. Le GEC est présidé par le CEO. Les CEO de General Insurance, Global Life et Farmers ainsi que le Chief Financial Officer (CFO), le Chief Investment Officer (CIO), le Chief Risk Officer (CRO), le Group Head of Operations et le Group General Counsel sont membres du GEC. Les secteurs géographiques Europe, Amérique du Nord, Amérique latine et Asie-Pacifique, Moyen-Orient et Afrique, sont représentés par les présidents régionaux – ceux des régions Europe, Amérique du Nord et Asie-Pacifique, Moyen-Orient et Afrique sont actuellement membres du GEC – lesquels ont pour mission principale de gérer les relations avec les diverses parties prenantes et de développer les affaires dans leur région respective. Pour de plus amples informations sur le GEC, veuillez consulter les pages 54 à 61.

Les segments d'activité principaux du Groupe ont été identifiés en fonction des activités menées par le Groupe et de la manière dont ils sont stratégiquement gérés, dans l'objectif de proposer des produits et services différents aux divers groupes de clients. Les segments du Groupe qui font l'objet de rapports distincts sur la performance financière sont:

- General Insurance est le segment par le biais duquel le Groupe propose divers produits et services d'assurance auto, habitation et commerciale aux particuliers ainsi qu'aux petites et grandes entreprises.

- Global Life poursuit une stratégie fondée sur des offres de premier plan sur le marché des produits en unités de compte, des produits de prévoyance, des solutions tarifées gérées sur la base de trois piliers mondiaux (Bank Distribution, Corporate Life & Pensions et Inforce Management) pour développer sa position de leader dans ses marchés cibles.

- Par le biais de Farmers Group, Inc. et de ses filiales (FGI), Farmers fournit aux Farmers Exchanges certains services de gestion dissociés des sinistres. FGI perçoit des commissions en échange de la prestation de services aux Farmers Exchanges, détenus par les preneurs d'assurance et gérés par Farmers Group, Inc., une filiale à 100% du Groupe. Ce segment englobe également tous les contrats de réassurance acceptés par le Groupe auprès des Farmers Exchanges. Les Farmers Exchanges sont des assureurs de premier plan aux Etats-Unis dans le domaine de l'assurance des particuliers et des petites entreprises.

Sont pris en considération pour la performance financière les segments principaux du Groupe: General Insurance, Global Life et Farmers. Les autres segments d'activité sont les suivants:

- Other Operating Businesses correspond essentiellement aux activités du siège du Groupe et aux activités de holding et de financement. Ces dernières englobent certaines positions de placement alternatives non allouées aux segments opérationnels de l'entreprise.

- Non-Core Businesses regroupe les activités d'assurance que le Groupe considère comme étant en marge des activités du métier d'assureur et qui, par conséquent, sont surtout gérées pour obtenir une liquidation bénéficiaire. Non-Core Businesses englobe également les activités bancaires restantes du Groupe. Ces activités auxiliaires sont principalement situées aux Etats-Unis, aux Bermudes, au Royaume-Uni et en Irlande.

A un niveau secondaire, la gestion du segment General Insurance repose sur des activités au contact du marché, dont Global Corporate, North America Commercial, Europe, Amérique latine et Asie-Pacifique, Moyen-Orient et Afrique.

En septembre 2013, le Groupe a décidé qu'à partir du 1er janvier 2014, General Insurance regrouperait ses activités dans les régions Moyen-Orient – Afrique et Europe au sein d'une seule activité au contact du marché baptisée Europe, Moyen-Orient & Afrique (EMEA).

La gestion du segment Global Life, en revanche, est régionale, mais s'inscrit dans un cadre international, incluant les régions Amérique du Nord, Amérique latine, Europe, Asie-Pacifique et Moyen-Orient.

Un examen détaillé des résultats par segment d'activité pour l'exercice 2013 est présenté dans la section Operating and financial review, à la page 84. Par ailleurs, un aperçu des points forts et des activités commerciales du Groupe est présenté dans le Compte rendu des activités disponible sur le site internet de Zurich www.zurich.com (http://www.zurich.com/internet/main/sitecollectiondocuments/financial-reports/annual-review-2013-fr.pdf).

Une liste des principales filiales du Groupe avec de plus amples informations sur les principales filiales cotées figure aux pages 297 à 299. Pour de plus amples informations sur la cotation de l'action de Zurich Insurance Group SA, veuillez consulter les informations pour les actionnaires aux pages 362 à 364.

Principaux actionnaires

Conformément aux règles relatives à la déclaration des participations significatives dans les sociétés suisses cotées en Suisse, une déclaration doit être faite à partir d'un seuil de 3% ou si les participations diminuent par la suite sous ces seuils. Les options d'achat et autres instruments financiers doivent être ajoutés à toutes les positions d'actions, même s'ils permettent uniquement le règlement en espèces. Une déclaration doit avoir lieu séparément pour les positions d'achat

Rapport sur la gouvernance d'entreprise *suite*

(y compris les actions, les options d'achat position acheteur et les options de vente position vendeur) et les positions de vente (y compris les options de vente position acheteur et les options d'achat position vendeur). Les seuils de pourcentage sont calculés sur la base du montant total des droits de vote tels qu'inscrits au registre du commerce.

Zurich Insurance Group SA est dans l'obligation d'annoncer les participations détenues par des tiers dans son capital après notification par le tiers qu'un seuil a été franchi. Au cours de l'année 2013, le Groupe a reçu plusieurs notifications de tiers déclarant qu'ils avaient dépassé ou n'atteignaient plus le seuil de 3% suite à des opérations d'achat ou de vente.

Au 31 décembre 2013, à la connaissance de Zurich Insurance Group SA, aucune personne ni aucun établissement autre que BlackRock, Inc., New York (4,97%), et Norges Bank, Oslo (3,07%), ne détenait, directement ou indirectement, des participations en tant qu'ayant droit économique d'actions, de droits d'option et/ou de droits de conversion sur des actions de Zurich Insurance Group SA représentant 3% ou plus des actions émises.

Vous trouverez les annonces respectives en utilisant le moteur de recherche intégré au site internet de l'Instance pour la publicité des participations de la SIX: http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_fr.html.

Zurich Insurance Group SA n'a pas connaissance de personnes ou d'établissements qui, en date du 31 décembre 2013, directement ou indirectement, seuls ou avec d'autres, exerçaient un contrôle ou étaient partie à un accord quelconque visant à exercer un contrôle sur Zurich Insurance Group SA.

Aperçu de la structure de l'actionnariat

Nombre de parts détenues

au 31 décembre 2013	Nombre d'actionnaires inscrits	% du capital-actions inscrit
1–500	118 393	13,5
501–1 000	5 049	4
1 001–10 000	4 102	11,2
10 001–100 000	380	12,1
100 001+	68	59,2
Total des actions inscrites	127 992	100,0

Répartition des actionnaires inscrits par catégorie

au 31 décembre 2013	Actionnaires inscrits en %	Actions inscrites en %
Particuliers	95,6	26,2
Entités juridiques	3,7	23,9
Nominees, fiduciaires	0,7	49,9
Total	**100,0**	**100,0**

Répartition géographique des actionnaires inscrits

au 31 décembre 2013	Actionnaires inscrits en %	Actions inscrites en %
Suisse	93,4	44
Royaume-Uni	1,4	27,7
Amérique du Nord	0,8	13,4
Asie	0,2	0,8
Amérique latine	0,1	–
Reste du monde	4,1	14,1

Participations croisées
Zurich Insurance Group SA ne détient aucune participation dans une autre société excédant 5% des droits de vote de ladite société, qui détiendrait elle-même une participation au capital de Zurich Insurance Group SA excédant 5% des droits de vote de Zurich Insurance Group SA.

Structure du capital

Capital-actions
Au 31 décembre 2013, le capital-actions ordinaire de Zurich Insurance Group SA s'élevait à 14 890 322.20 CHF, divisé en 148 903 222 actions nominatives entièrement libérées d'une valeur nominale de 0.10 CHF chacune. Le Conseil d'administration proposera aux actionnaires, lors de l'Assemblée générale ordinaire du 2 avril 2014, le paiement d'un dividende de 17.00 CHF par action. Ce paiement devant provenir de la réserve d'apport en capital, il sera exonéré de l'impôt anticipé fédéral.

Capital-actions autorisé et conditionnel
Au 31 décembre 2013, conformément à l'article 5^{bis}(1) des statuts, le Conseil d'administration est autorisé à augmenter, jusqu'au 29 mars 2014 au plus tard, le capital-actions d'un montant maximal de 1 000 000 de CHF, soit 10 millions d'actions nominatives entièrement libérées d'une valeur nominale de 0.10 CHF chacune. Conformément à l'article 5^{ter}(1a) des statuts, le capital-actions conditionnel de Zurich Insurance Group SA peut être augmenté d'un montant ne dépassant pas 1 000 000 de CHF par l'émission de 10 millions d'actions nominatives entièrement libérées d'une valeur nominale de 0.10 CHF chacune en exerçant des droits de conversion et/ou d'option accordés dans le cadre de l'émission d'obligations ou de titres d'emprunt similaires par Zurich Insurance Group SA ou l'une des sociétés du Groupe sur les marchés de capitaux nationaux ou internationaux, et/ou des droits d'option accordés aux actionnaires. Il existe par ailleurs un capital-actions conditionnel supplémentaire de 239 203.70 CHF, tel que mentionné à l'article 5^{ter}(2a) des statuts, représentant 2 392 037 actions nominatives entièrement libérées d'une valeur nominale de 0.10 CHF chacune, pouvant être émises en faveur des collaborateurs du Groupe. Pour de plus amples informations sur la structure du capital et le capital-actions autorisé et conditionnel, veuillez consulter les Consolidated financial statements audités, note 21, aux pages 249 et 250.

Modifications du capital-actions en 2013
Au cours de l'année 2013, 603 099 actions ont été émises en faveur des collaborateurs à partir du capital conditionnel. En conséquence, au 31 décembre 2013, le capital-actions s'élevait à 14 890 322.20 CHF (148 903 222 actions); le capital autorisé ainsi que le capital-actions conditionnel (tel que spécifié respectivement dans l'article 5^{bis}(1) et l'article 5^{ter}(1a) des statuts), s'élevaient à 1 000 000 de CHF (10 millions d'actions) et l'autre capital-actions conditionnel (tel que spécifié dans l'article 5^{ter}(2a) des statuts) s'élevait à 239 203.70 CHF (2 392 037 actions).

Modifications du capital-actions en 2012
Au cours de l'année 2012, 914 301 actions ont été émises en faveur des collaborateurs à partir du capital conditionnel. En conséquence, au 31 décembre 2012, le capital-actions s'élevait à 14 830 012.30 CHF (148 300 123 actions); le capital autorisé ainsi que le capital-actions conditionnel (tel que spécifié respectivement dans l'article 5^{bis}(1) et l'article 5^{ter}(1a) des statuts), s'élevaient à 1 000 000 de CHF (10 millions d'actions) et l'autre capital-actions conditionnel (tel que spécifié dans l'article 5^{ter}(2a) des statuts) s'élevait à 299 513.60 CHF (2 995 136 actions).

Rapport sur la gouvernance d'entreprise *suite*

Résumé des variations du capital-actions ordinaire au cours des deux dernières années

	Capital-actions, en CHF	Nombre d'actions	Valeur nominale, en CHF
Au 31 décembre 2011	14 738 582.20	147 385 822	0.10
Actions nouvellement émises à partir du capital conditionnel	91 430.10	914 301	0.10
Au 31 décembre 2012	14 830 012.30	148 300 123	0.10
Actions nouvellement émises à partir du capital conditionnel	60 309.90	603 099	0.10
Au 31 décembre 2013	14 890 322.20	148 903 222	0.10

Pour obtenir des informations sur les variations du capital-actions au cours de l'exercice 2011, veuillez consulter le Rapport de gestion 2012 de Zurich Insurance Group, page 22, pages 172 à 173 et pages 237 à 238.

Actions et bons de participation

Les actions de Zurich Insurance Group SA sont des actions nominatives d'une valeur nominale de 0.10 CHF chacune. Ces actions sont entièrement libérées. Conformément à l'article 14 des statuts, chaque action donne droit à une voix aux Assemblées des actionnaires et autorise le détenteur inscrit au registre des actions à exercer tous les autres droits liés à l'action.

Certaines participations en actions sont détenues par des investisseurs sous la forme d'American Depositary Receipts (ADR) [1]. Au 31 décembre 2013, les investisseurs détenaient 27 931 150 ADR (représentant 2 793 115 actions de Zurich Insurance Group SA).

Bons de jouissance

Zurich Insurance Group SA n'a pas émis de bons de jouissance.

Restrictions de transfert et inscriptions des nominees

Les statuts ne prévoient pas de restrictions de transfert, à l'exception des formalités suivantes:

L'inscription en tant qu'actionnaire nécessite une déclaration selon laquelle l'actionnaire a acquis les actions en son propre nom et pour son propre compte. Les nominees détenant des actions de Zurich Insurance Group SA peuvent se faire enregistrer pour le compte d'une autre personne ou en tant que nominees d'une autre personne pour un maximum de 200 000 actions avec droit de vote, sans égard au fait qu'ils n'aient pas dévoilé l'identité de l'ayant droit économique. Un nominee a cependant le droit de se faire enregistrer en tant qu'actionnaire avec droit de vote de plus de 200 000 actions s'il s'engage à dévoiler l'identité de chaque ayant droit économique et à informer les ayants droit économiques des agissements de la société, à les consulter en ce qui concerne l'exercice des droits de vote et des droits de souscription préférentiels, à transférer les dividendes et à agir dans l'intérêt et en conformité avec les instructions de l'ayant droit économique.

Il existe des dispositions spéciales concernant l'enregistrement d'actions et l'exercice des droits qui y sont rattachés, arrêtées par la Bank of New York Mellon Corporation en relation avec le programme ADR de Zurich Insurance Group SA.

Emprunts convertibles et options

Zurich Insurance Group SA n'avait pas d'emprunts convertibles ou d'options en cours au 31 décembre 2013. Pour plus d'informations sur les programmes de stock-options en faveur des collaborateurs, veuillez consulter les Consolidated financial statements audités, note 23 aux pages 259 à 261.

[1] Zurich Insurance Group SA a créé un programme d'American Depositary Share (ADS) de niveau 1 aux Etats-Unis. La Bank of New York Mellon Corporation est chargée d'émettre les ADS dans le cadre de ce programme. Chaque ADS donne droit à un dixième d'une action de Zurich Insurance Group SA et représente également les titres, liquidités et autres biens déposés à la Bank of New York Mellon Corporation mais non distribués aux détenteurs d'ADS. Les ADS de Zurich sont négociées de gré à gré (OTC) et matérialisées par des American Depositary Receipts (ADR). Depuis le 1er juillet 2010, les ADR de Zurich sont négociées sous la référence ZURVY sur «OTCQX», une plateforme électronique exploitée par OTC Markets Group Inc. (anciennement «Pink OTC Markets Inc.»). Les détenteurs d'ADS ne sont pas considérés comme des actionnaires de Zurich Insurance Group SA et ne sont pas en mesure de faire valoir ou d'exercer directement les droits rattachés à ce statut. Seule la Bank of New York Mellon Corporation, en tant que dépositaire du programme de niveau 1, peut être amenée à exercer les droits de vote conformément aux instructions données par les ayants droit économiques des ADR.

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Conseil d'administration

Les relations entre notre Conseil d'administration et notre Direction générale sont structurées de manière à soutenir les deux entités dans la réalisation de leur engagement à servir. Cette structure réalise des contrôles et veille à équilibrer les responsabilités. Elle a également pour but d'assurer l'indépendance institutionnelle du Conseil d'administration vis-à-vis du Chief Executive Officer (CEO) et du Comité exécutif du Groupe.


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1 Tom de Swaan
Président du Conseil d'administration,
président du Comité de gouvernance
et des nominations,
membre du Comité de rémunération

2 Fred Kindle
Vice-président du Conseil d'administration,
membre du Comité d'audit,
membre du Comité de gouvernance
et des nominations

3 Susan Bies
Administratrice,
présidente du Comité des risques,
membre du Comité d'audit

4 Dame Alison Carnwath
Administratrice,
membre du Comité des risques,
membre du Comité de rémunération

5 Victor L.L. Chu
Administrateur,
membre du Comité de gouvernance
et des nominations

6 Rafael del Pino
Administrateur,
membre du Comité de gouvernance
et des nominations,
membre du Comité de rémunération

7 Thomas K. Escher
Administrateur,
président du Comité de rémunération,
membre du Comité de gouvernance
et des nominations

8 Monica Mächler
Administratrice,
membre du Comité de gouvernance
et des nominations,
membre du Comité des risques

9 Don Nicolaisen
Administrateur,
président du Comité d'audit,
membre du Comité des risques

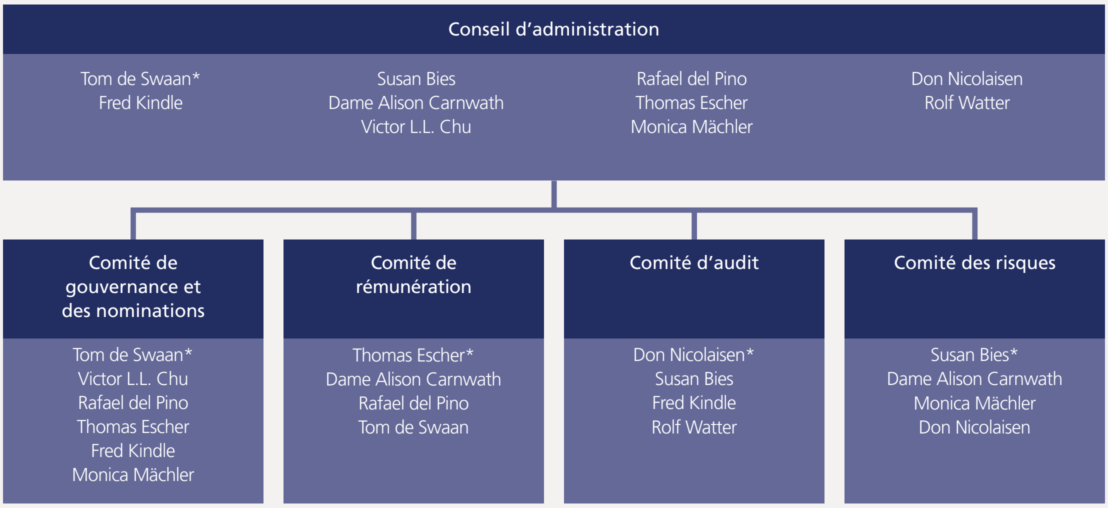
10 Rolf Watter
Administrateur,
membre du Comité d'audit

Conseil d'administration

Le Conseil d'administration, sous la direction du président, a pour mission de définir la stratégie générale du Groupe et la surveillance de la haute direction. Il détient le pouvoir de décision en dernier ressort pour Zurich Insurance Group SA, sauf pour les décisions sur des sujets réservés aux actionnaires.

Conseil d'administration et ses comités

au 31 décembre 2013



*Président du Conseil d'administration ou président(e) du comité du Conseil d'administration

Les membres du Conseil d'administration sont élus par les actionnaires lors de l'Assemblée générale ordinaire. Le Conseil d'administration se constitue lors de sa première séance, à l'exception du président du Conseil d'administration et les membres du Comité de rémunération qui, selon l'ordonnance contre les rémunérations abusives (ORAb), entrée en vigueur le 1er janvier 2014, doivent être élus par les actionnaires.

L' ORAb, exige que la durée des fonctions d'un membre du Conseil d'administration s'achève lors de l'Assemblée générale ordinaire suivante. Les membres du Conseil d'administration doivent être réélus tous les ans lors de l'Assemblée générale ordinaire, et ce à partir de 2014.

Rapport sur la gouvernance d'entreprise *suite*

Membres du Conseil d'administration au 31 décembre 2013

Nom	Nationalité	Né(e)	Fonction	Année d'entrée en fonction	Expiration du mandat actuel[1]
Tom de Swaan	Néerlandais	1946	Président du Conseil d'administration Président du Comité de gouvernance et des nominations Membre du Comité de rémunération	2006	2014
Fred Kindle	Suisse et liechtensteinois	1959	Vice-président du Conseil d'administration Membre du Comité d'audit Membre du Comité de gouvernance et des nominations	2006	2014
Susan Bies	Américaine	1947	Administratrice Présidente du Comité des risques Membre du Comité d'audit	2008	2014
Dame Alison Carnwath	Britannique	1953	Administratrice Membre du Comité des risques Membre du Comité de rémunération	2012	2014
Victor L.L. Chu	Britannique	1957	Administrateur Membre du Comité de gouvernance et des nominations	2008	2014
Rafael del Pino	Espagnol	1958	Administrateur Membre du Comité de gouvernance et des nominations Membre du Comité de rémunération	2012	2014
Thomas Escher	Suisse	1949	Administrateur Président du Comité de rémunération Membre du Comité de gouvernance et des nominations	2004	2014
Monica Mächler	Suisse	1956	Administrateur Membre du comité de gouvernance et des nominations Membre du comité des risques	2013	2014
Don Nicolaisen	Américain	1944	Administrateur Président du Comité d'audit Membre du Comité des risques	2006	2014
Rolf Watter	Suisse	1958	Administrateur Membre du Comité d'audit	2002	2014

[1] En vertu de l'ordonnance contre les rémunérations abusives (ORAb) entrée en vigueur le 1er janvier 2014, la durée des fonctions d'un membre du Conseil d'administration s'achève lors de l'Assemblée générale ordinaire suivante. Les membres du Conseil d'administration doivent être réélus tous les ans. Conformément aux dispositions transitoires de l'ORAb, les membres du Conseil d'administration devront se présenter à leur réélection lors de la prochaine Assemblée générale ordinaire, le 2 avril 2014. Hormis Victor L.L. Chu et Rolf Watter, qui ne sont plus à disposition pour une réélection, tous les administrateurs actuels sont proposés à la réélection.

Tous les administrateurs de Zurich Insurance Group SA sont également membres du Conseil d'administration de Zurich Compagnie d'Assurances SA. M. de Swaan en préside le Conseil d'administration. Par ailleurs, M. de Swaan est membre du Conseil d'administration de Zurich Insurance plc. Don Nicolaisen et Susan Bies sont membres du Conseil d'administration de Zurich Holding Company of America, Inc. Hormis Susan Bies, Don Nicolaisen et Tom de Swaan, les membres du Conseil d'administration n'occupent pas d'autres fonctions d'administrateurs au sein du Groupe.

M. Fritz Gerber est le président honoraire de Zurich Insurance Group SA. Il a été président de Zurich Compagnie d'Assurances SA entre 1977 et 1995 et Chief Executive Officer entre 1977 et 1991. En reconnaissance de ses qualités de dirigeant et des services rendus à l'entreprise, il a été nommé président honoraire. Ce titre ne lui donne droit ni à un siège au Conseil d'administration, ni aux prérogatives ou obligations correspondantes, ni à des honoraires d'administrateur.

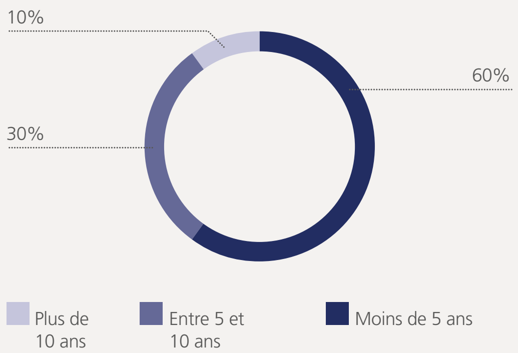
Composition du Conseil d'administration

La diversité est un facteur clé de réussite dans un environnement international en constante évolution. Le Conseil d'administration de Zurich est composé de personnes aux parcours, expériences, compétences et connaissances très divers. L'équilibre qui en résulte permet au Conseil d'administration d'exercer ses fonctions et d'assumer ses responsabilités en tant que groupe tout en prenant pleinement en compte les besoins d'affaires actuels.

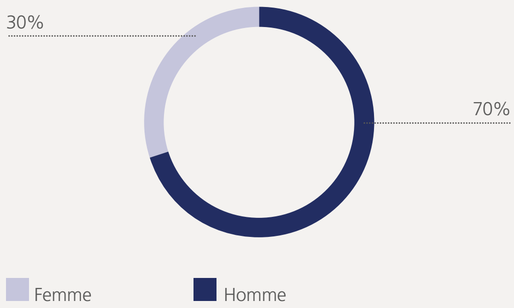
Au 31 décembre 2013, six nationalités étaient représentées au sein du Conseil d'administration. Les membres du Conseil d'administration ont acquis leur expérience dans de nombreux pays et disposent ensemble d'une connaissance approfondie des pratiques commerciales à l'international. Le Conseil d'administration tire parti de la diversité des cultures, des formations et des parcours professionnels de ses membres, qui apportent leur expérience collective dans les domaines des services financiers, de la production, de l'ingénierie, du droit et des affaires réglementaires.

La composition du Conseil d'administration au 31 décembre 2013 (durée des mandats et représentation par sexe) est la suivante:

Composition du CA par durée de mandat
au 31 décembre 2013



Composition du CA par sexe
au 31 décembre 2013



Rapport sur la gouvernance d'entreprise *suite*

Biographies

Tom de Swaan (1946), citoyen néerlandais
Président du Conseil d'administration
Parcours professionnel: Tom de Swaan travaille dans le secteur bancaire des Pays-Bas depuis plus de 40 ans. Il a rejoint De Nederlandsche Bank NV en 1972 et, de 1986 à 1998, il en a été membre du Conseil d'administration. En janvier 1999, il est devenu membre du Conseil de gestion et Chief Financial Officer de la banque ABN AMRO. Il a quitté ABN AMRO en mai 2006 tout en restant conseiller du Conseil de gestion jusqu'en juin 2007. M. de Swaan a présidé l'Amsterdam Financial Center de 1987 à 1988 et le sous-comité de surveillance bancaire de l'Institut monétaire européen de 1995 à 1997. Il a également été membre du Comité de Bâle pour le contrôle bancaire de 1991 à 1996 et son président de 1997 à 1998, ainsi que membre sans pouvoir exécutif du Conseil d'administration de la Financial Services Authority au Royaume-Uni de janvier 2001 à fin 2006. Il est membre des Conseils d'administration de Zurich Insurance Group SA et de Zurich Compagnie d'Assurances SA depuis avril 2006. En mars 2012, il a été élu vice-président, faisant office de président à partir d'août 2013. Il est élu président en septembre 2013.
Mandats au sein de comités: Comité de gouvernance et des nominations (président), comité des rémunérations
Autres fonctions de direction dans le Groupe: Zurich Compagnie d'Assurances SA, Zurich Insurance plc
Mandats externes: M. de Swaan est membre sans pouvoir exécutif du Conseil d'administration de GlaxoSmithKline Plc et préside son comité d'audit depuis 2006. Depuis 2006, il est membre du Conseil de surveillance de Royal DSM, groupe néerlandais spécialisé dans la nutrition. Depuis 2008, il est président du Conseil de surveillance de Van Lanschot NV, la société holding de F. van Lanschot Bankiers, une banque néerlandaise indépendante. M. de Swaan est aussi président du Conseil d'administration du Netherlands Cancer Institute, président du Conseil de fondation de l'Institut Van Leer à Jerusalem et préside plusieurs autres organisations à but non lucratif. Il est par ailleurs membre du Conseil consultatif de la Commission de régulation bancaire de Chine à Pékin et siège au Conseil consultatif international de la Banque nationale du Koweït depuis 2007.
Formation: M. de Swaan a achevé ses études à l'Université d'Amsterdam par un master en économie.

Fred Kindle (1959), citoyen liechtensteinois et suisse
Vice-président du Conseil d'administration
Parcours professionnel: Fred Kindle a débuté sa carrière chez Hilti SA, au Liechtenstein en 1984, en qualité de chef de projet marketing. De 1988 à 1992, il a été consultant auprès de McKinsey & Company à New York et Zurich. Il a ensuite rejoint Sulzer Chemtech SA en Suisse en tant que responsable du Mass Transfer Department et en 1996 a pris la direction de la Product Division. En 1999, il est nommé CEO de Sulzer Industries, l'un des deux groupes opérationnels de Sulzer SA. Deux ans plus tard, il devient CEO de Sulzer SA et siège au Conseil d'administration. Après avoir rejoint ABB Ltd. en 2004, M. Kindle est nommé CEO du Groupe ABB en janvier 2005, fonction qu'il assumera jusqu'en février 2008. Il devient ensuite associé de Clayton, Dubilier & Rice LLP, une société de private equity siégeant à New York et Londres. Il est membre des Conseils d'administration de Zurich Insurance Group SA et de Zurich Compagnie d'Assurances SA depuis avril 2006. Il a été élu vice-président en septembre 2013.
Mandats au sein de comités: Comité de gouvernance et des nominations, Comité d'audit
Autres fonctions de direction dans le Groupe: Zurich Compagnie d'Assurances SA
Mandats externes: En sa qualité d'associé de Clayton, Dubilier & Rice, M. Kindle occupe les fonctions de président de Exova Ltd., en Écosse depuis 2008 et de président de BCA Group, au Royaume-Uni depuis 2010. Il siège également au Conseil d'administration de VZ Holding SA, à Zurich depuis 2002, et de Stadler Rail AG, à Bussnang depuis 2008.
Formation: M. Kindle est titulaire d'un diplôme d'ingénieur de l'École polytechnique fédérale suisse de Zurich (EPFZ) et d'un MBA de la Northwestern University d'Evanston, aux Etats-Unis.

Susan Bies (1947), citoyenne américaine
Membre du Conseil d'administration
Parcours professionnel: Susan Bies a débuté sa carrière en 1970 au sein de la Federal Reserve Bank de St-Louis (Missouri) avant de devenir deux ans plus tard professeur assistante d'économie à la Wayne State University de Detroit (Michigan). En 1977, elle endosse une fonction similaire au Rhodes College de Memphis (Tennessee), et intègre en 1979 la First Tennessee National Corporation à Memphis, où elle restera jusqu'en 2001. Au cours des premières années, ses domaines de responsabilité incluent la planification tactique et le développement de l'entreprise. En 1984, elle devient Chief Financial Officer et présidente du comité des actifs-passifs. En 1995, elle devient vice-présidente avec pouvoir exécutif de la gestion des risques, ainsi qu'auditrice et présidente du comité exécutif de gestion des risques tout en continuant d'assumer ses fonctions au comité des actifs-passifs. De 2001 à 2007, elle est membre du Conseil des gouverneurs du Federal Reserve System. De 1996 à 2001, Susan Bies a fait partie de l'Emerging Issues Task Force du Financial Accounting Standards Board. Elle est membre des Conseils d'administration de Zurich Insurance Group SA et de Zurich Compagnie d'Assurances SA depuis avril 2008.
Mandats au sein de comités: Comité des risques (présidente), Comité d'audit
Autres fonctions de direction dans le Groupe: Zurich Compagnie d'Assurances SA, Zurich Holding Company of America, Inc.
Mandats externes: Susan Bies siège au Conseil d'administration de Bank of America depuis juin 2009 et a rejoint le Conseil d'administration de Merrill Lynch International, Londres, une filiale de Bank of America, en 2013. Elle siège également au comité consultatif supérieur d'Oliver Wyman depuis 2009. Susan Bies est par ailleurs membre du Conseil de fondation de la Global Association of Risk Professionals (GARP).
Formation: Susan Bies est titulaire d'une licence (BS) du State University College de Buffalo, New York. Elle est aussi titulaire d'un master (MA) de la Northwestern University d'Evanston, où elle a obtenu ensuite son doctorat.

Dame Alison Carnwath (1953), citoyenne britannique
Membre du Conseil d'administration
Parcours professionnel: Dame Alison Carnwath possède une grande expérience dans le secteur financier. Elle a débuté sa carrière chez Peat Marwick Mitchell, aujourd'hui KPMG, de 1975 à 1980, en tant qu'expert comptable. De 1980 à 1982, elle a travaillé comme conseillère financière dans le domaine du financement des entreprises chez Lloyds Bank International. De 1982 à 1993, elle a été directrice adjointe, puis directrice de J. Henry Schroder Wagg & Co à Londres et New York. De 1993 à 1997, Alison Carnwath a été associée principale de la société de conseils financiers Phoenix Partnership. Après la reprise de la société par Donaldson Lufkin Jenrette (DLJ) en 1997, Mme Carnwath a continué à travailler pour DLJ jusqu'en 2000. Alison Carnwath a exercé plusieurs mandats au sein de conseils d'administration. De 2000 à 2005, elle a présidé le Conseil d'administration de Vitec Group plc. Elle a siégé au Conseil d'administration de Welsh Water de 2001 à 2006, de Friends Provident plc de 2004 à 2007, de Gallaher Group de 2004 à 2007. Elle a aussi été présidente indépendante de MF Global Inc. de 2007 à 2010. D'autre part, elle a siégé aux Conseils d'administration de Barclays de 2010 à 2012 et de Man Group plc de 2001 à 2013. Elle est membre des Conseils d'administrations de Zurich Insurance Group SA et de Zurich Compagnie d'Assurances SA depuis mars 2012. En 2014, elle est nommée Dame Commandeur de l'Ordre de l'Empire britannique (DBE) dans le cadre de la New Years Honours List du Royaume-Uni.
Mandats au sein de comités: Comité de rémunération, Comité des risques
Autres fonctions de direction dans le Groupe: Zurich Compagnie d'Assurances SA
Mandats externes: Dame Alison Carnwath est Senior Advisor de Evercore Partners depuis 2011 et présidente indépendante du conseil d'administration de ISIS Equity Partners LLP depuis 2000. Elle est présidente du Conseil d'administration de Land Securities Group plc depuis 2008 et membre du Conseil d'administration de PACCAR Inc depuis 2005. Dame Alison Carnwath est également trustee de la British Library. En septembre 2013, elle est élue membre du Conseil consultatif de la St. George's Society de New York.
Formation: Dame Alison Carnwath a étudié l'économie et l'allemand à l'Université de Reading. Elle est par ailleurs docteur honoris causa (LLB) de l'Université de Reading.

Rapport sur la gouvernance d'entreprise *suite*

Victor L.L. Chu (1957), citoyen britannique
Membre du Conseil d'administration
Parcours professionnel: Victor L.L. Chu a 30 ans d'expérience en droit des sociétés, droit commercial et droit sur les valeurs mobilières avec une spécialisation pour la Chine et les transactions d'investissement régionales. Il a été secrétaire général adjoint de l'International Bar Association de 1995 à 2000. Au cours des 25 dernières années, il a assumé à plusieurs reprises les fonctions de directeur et de membre du conseil de la Bourse de Hong Kong. Il a été membre du Hong Kong Takeovers and Mergers Panel, membre du comité consultatif de la Hong Kong Securities and Futures Commission et aussi membre à temps partiel de la Central Policy Unit du gouvernement de Hong Kong. Il est autorisé à exercer la profession d'avocat en Angleterre et à Hong Kong. Il est membre des Conseils d'administration de Zurich Insurance Group SA et de Zurich Compagnie d'Assurances SA depuis avril 2008.
Mandats au sein de comités: Comité de gouvernance et des nominations
Autres fonctions de direction dans le Groupe: Zurich Compagnie d'Assurances SA
Mandats externes: Depuis 1988, Monsieur Chu est président de First Eastern Investment Group, société majeure d'investissement direct qui recherche des opportunités de placement en Chine et en Asie. Il dirige également First Eastern Investment Bank Limited depuis 2006 et FE Securities Limited depuis 1994. Il siège actuellement au Conseil de fondation du Forum économique mondial (WEF) et co-préside l'International Business Council du Forum. Victor Chu est aussi président du Hong Kong/Europe Business Council, vice-président de l'Asia House à Londres et siège au sein du Conseil consultatif sur les affaires internationales auprès du maire de Londres.
Formation: Victor Chu est diplômé en droit du University College London (Bachelor of Laws), dont il est membre honoraire. Il a reçu en 2011 le Prix de l'économie globale décerné par l'Institut de l'économie mondiale de Kiel.

Rafael del Pino (1958), citoyen espagnol
Membre du Conseil d'administration
Parcours professionnel: Rafael del Pino possède à son actif plus de 30 ans d'expérience dans le management international. Il est CEO de Grupo Ferrovial de 1992 à 1999 et est désigné vice-président exécutif en 1999. M. del Pino est nommé président exécutif et directeur général de Ferrovial S.A. en 2000 et occupe toujours actuellement cette fonction. Pendant cette période, il a fait d'une société de construction essentiellement active au niveau national une entreprise de services d'infrastructure d'envergure mondiale. Par ailleurs, M. del Pino a siégé au Conseil d'administration de Banesto (Banco Español de Crédito S.A.) de 2003 à 2012. Il est membre des Conseils d'administration de Zurich Insurance Group SA et de Zurich Compagnie d'Assurances SA depuis mars 2012.
Mandats au sein de comités: Comité de gouvernance et des nominations, Comité de rémunération
Autres fonctions de direction dans le Groupe: Zurich Compagnie d'Assurances SA
Mandats externes: M. del Pino siège au Conseil consultatif international de Blackstone depuis 2007. De par sa position en tant que membre de la MIT Corporation, de l'International Advisory Board de la IESE et du European Advisory Board de la Harvard Business School, il maintient le contact avec le monde académique.
Formation: M. del Pino est diplômé en génie civil de l'Universidad Politécnica de Madrid. Il est titulaire d'un MBA de MIT Sloan School of Management.

Thomas K. Escher (1949), citoyen suisse
Membre du Conseil d'administration
Parcours professionnel: M. Escher a acquis une grande expérience professionnelle dans les domaines des technologies de l'information et des services bancaires. Il a rejoint IBM en 1974, en tant que responsable pour plusieurs marchés internationaux. En 1996, M. Escher intègre la Société de Banque Suisse en tant que membre du Comité exécutif. Il occupera la fonction de CEO pour la plus grande zone de marché en Suisse et pour l'organisation des technologies de l'information. Après la fusion entre la Société de Banque Suisse et l'Union de Banques Suisses qui a donné naissance à UBS SA en 1998, il a dirigé le secteur d'activités informatique des divisions gestion de fortune et banque d'affaires jusqu'à la mi-2005, en tant que membre du Comité exécutif élargi du Groupe. M. Escher a occupé la fonction de vice-président du Business Group Global Wealth Management & Swiss Bank d'UBS SA en 2005. Il est membre des Conseils d'administration de Zurich Insurance Group SA et de Zurich Compagnie d'Assurances SA depuis avril 2004.
Mandats au sein de comités: Comité de rémunération (président), Comité de gouvernance et des nominations
Autres fonctions de direction dans le Groupe: Zurich Compagnie d'Assurances SA
Mandats externes: Depuis 2012, M. Escher siège au Conseil d'administration de Silent-Power AG à Cham, en Suisse, une entreprise spécialisée dans les nouvelles sources d'énergie. Depuis 2013, il est président de Silent-Power AG. M. Escher préside par ailleurs la Genossenschaft zum Rüden depuis 2010.
Formation: M. Escher est diplômé en génie électrique et en sciences économiques de l'École polytechnique fédérale suisse (EPF).

Monica Mächler (1956), citoyenne suisse
Membre du Conseil d'administration
Parcours professionnel: Monica Mächler dispose d'une grande expertise juridique, réglementaire et en matière de gouvernance dans un contexte national et international. Elle a été vice-présidente du Conseil d'administration de l'Autorité fédérale de surveillance intégrée des marchés financiers (FINMA) de 2009 à 2012, après avoir dirigé l'Office fédéral suisse des assurances privées de 2007 à 2008. Monica Mächler a présidé le Comité technique de l'Association internationale des contrôleurs d'assurance (AICA) de 2010 à 2012. En 1990, elle intègre Zurich Insurance Group, où elle assume d'abord la fonction de Group General Counsel et Head of the Board Secretariat de 1999 à 2006; elle est nommée membre du Comité de direction du Groupe en 2001. De 1985 à 1990, elle a exercé sa profession d'avocate au sein d'un cabinet spécialisé en droit bancaire et droit commercial. Monica Mächler a siégé dans diverses commissions fédérales d'experts suisses dédiées à des projets de réglementation. Monica Mächler intervient, enseigne et publie régulièrement sur le droit des affaires international, les réglementations et leur impact. Elle est membre des Conseils d'administration de Zurich Insurance Group SA et de Zurich Compagnie d'Assurances SA depuis avril 2013.
Mandats au sein de comités: Comité de gouvernance et des nominations, Comité des risques
Autres fonctions de direction dans le Groupe: Zurich Compagnie d'Assurances SA
Mandats externes: Monica Mächler est membre du Conseil de surveillance de Deutsche Börse AG depuis mai 2012. Elle siège aussi au Conseil consultatif de l'International Center of Insurance Regulation à l'Université Johann Wolfgang Goethe à Francfort-sur-le-Main.
Formation: Monica Mächler est titulaire d'un doctorat en droit de l'Université de Zurich et a complété ses études en suivant divers programmes de formation en droit britannique, droit américain et droit international privé. A l'issue de ses études, elle a été admise au barreau du canton de Zurich.

Rapport sur la gouvernance d'entreprise *suite*

Don Nicolaisen (1944), citoyen américain
Membre du Conseil d'administration
Parcours professionnel: Don Nicolaisen dispose d'une grande expertise en comptabilité, audit de comptes et dans l'établissement de rapports financiers. Il a rejoint Price Waterhouse (devenue PricewaterhouseCoopers ou PwC) en 1967, dont il est devenu associé en 1978. Il y a assumé diverses fonctions, y compris celle d'auditeur et de président de la division des services financiers. Au sein de cette société, il a dirigé le bureau national pour la comptabilité et les services de la Securities and Exchange Commission de 1988 à 1994 et a fait partie des Conseils d'administration américain et mondial de 1994 à 2001. De septembre 2003 à novembre 2005, il a été chef comptable au sein de la Securities and Exchange Commission aux Etats-Unis et le principal conseiller de la Commission chargée des questions de comptabilité et d'audit. Il est membre des Conseils d'administration de Zurich Insurance Group SA et de Zurich Compagnie d'Assurances SA depuis avril 2006.
Mandats au sein de comités: Comité d'audit (président), Comité des risques
Autres fonctions de direction dans le Groupe: Zurich Compagnie d'Assurances SA, Zurich Holding Company of America, Inc.
Mandats externes: M. Nicolaisen est membre du Conseil d'administration de Verizon Communications, Inc. depuis 2005, de Morgan Stanley depuis 2006 et de MGIC Investment Corporation depuis 2006. Il siège parallèlement au comité consultatif de la Leventhal School of Accounting de la University of Southern California.
Formation: Don Nicolaisen est titulaire d'une licence (BBA) de l'Université du Wisconsin à Whitewater.

Rolf Urs Watter (1958), citoyen suisse
Membre du Conseil d'administration
Parcours professionnel: M. Watter possède une grande expérience dans le droit des sociétés, notamment dans les transactions transfrontalières particulièrement complexes et les questions de gouvernance d'entreprise. Il est associé au sein du cabinet d'avocats Bär & Karrer SA à Zurich depuis 1994. Il a siégé au Comité exécutif du cabinet à partir de 2000 et a été administrateur avec pouvoir exécutif lors de la fondation de l'actuel Bär & Karrer SA en 2007 et ce jusqu'en septembre 2009. Rolf Urs Watter enseigne à temps partiel à la faculté de droit de l'Université de Zurich. Il a précédemment exercé le mandat de président sans pouvoir exécutif de Cablecom Holding SA de 2004 à 2008. Rolf Urs Watter a aussi été administrateur sans pouvoir exécutif de Syngenta SA de 2000 à 2012, de Centerpulse SA de 2002 à 2003, de Forbo Holding SA de 1999 à 2005 et de Feldschlösschen Boissons SA de 2001 à 2004. Il est membre des Conseils d'administration de Zurich Insurance Group SA et de Zurich Compagnie d'Assurances SA depuis mai 2002.
Mandats au sein de comités: Comité d'audit
Autres fonctions de direction dans le Groupe: Zurich Compagnie d'Assurances SA
Mandats externes: Rolf Urs Watter est administrateur sans pouvoir exécutif de Nobel Biocare Holding SA depuis 2007 et en préside le Conseil d'administration depuis l'été 2012 sans pouvoir exécutif; il est aussi président sans pouvoir exécutif de PostFinance SA depuis mi-2013 et administrateur sans pouvoir exécutif d'UBS Alternative Portfolio SA depuis 2000 et d'A.W. Faber-Castell (Holding) AG depuis 1997. Il siège à l'instance d'admission de la SIX et à sa commission d'experts sur la divulgation d'informations. Il préside également deux organisations caritatives.
Formation: M. Watter est titulaire d'un doctorat en droit de l'Université de Zurich et d'un master en droit de l'Université de Georgetown, aux Etats-Unis. Il est admis au barreau du canton de Zurich.

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Rapport sur la gouvernance d'entreprise *suite*

L'adresse professionnelle de chacun des membres du Conseil d'administration est Mythenquai 2, 8002 Zurich, Suisse.

Elections et mandats

Les statuts stipulent que le Conseil d'administration doit compter au moins sept membres et au plus treize membres. A l'expiration de leur mandat, les membres peuvent être réélus immédiatement. Conformément aux directives en vigueur au sein du Groupe, les membres du Conseil d'administration ne peuvent y siéger pendant plus de douze ans et aucune personne de 70 ans ou plus ne peut être nommée au Conseil d'administration ou en rester membre, bien que certaines exceptions puissent être admises dans des circonstances particulières.

L'élection d'un membre du Conseil d'administration est effectuée sur une base individuelle. Les membres sont élus à la majorité des voix représentées.

Lors de l'Assemblée générale ordinaire du 4 avril 2013, Monica Mächler et Susan Bies ont été élues ou réélues au Conseil d'administration pour une durée de trois ans. Victor Chu et Rolf Watter ont été réélus au Conseil d'administration pour un an.

Josef Ackermann a quitté le Conseil d'administration et Tom de Swaan a fait office de président à partir du 28 août 2013. Le Conseil d'administration a nommé Tom de Swaan au poste de président et Fred Kindle en tant que vice-président le 11 septembre 2013.

L'ordonnance contre les rémunérations abusives est entrée en vigueur le 1er janvier 2014. Conformément aux termes de l'ordonnance, lors de l'Assemblée générale ordinaire qui se tiendra le 2 avril 2014, chaque membre existant du Conseil d'administration en fonction sera proposé à la réélection pour une durée d'un an, à l'exception de Rolf Watter, qui atteindra la durée maximale d'exercice et Victor L.L. Chu, qui ne se représentera pas.

Comme stipulé dans l'ordonnance contre les rémunérations abusives (ORAb), les actionnaires doivent également élire un membre du Conseil d'administration au poste de président, ainsi que les membres du Comité de rémunération, et le représentant indépendant lors de l'Assemblée générale ordinaire qui se tiendra le 2 avril 2014. Le Conseil d'administration propose d'élire les personnes suivantes:

- au poste de président: Tom de Swaan
- au Comité de rémunération: Thomas Escher, Dame Alison Carnwath, Rafael del Pino et Tom de Swaan
- comme représentant indépendant: Maître Andreas G. Keller, avocat

Structure interne de l'organisation et responsabilités

Le Conseil d'administration est dirigé par le président ou, en son absence, par le vice-président. Différents thèmes lui sont présentés lors de ses réunions tout au long de l'année. Il est régulièrement informé des évolutions concernant le Groupe et reçoit à temps les informations, dont la forme et la qualité lui permettent de s'acquitter de ses obligations en conformité avec les normes de diligence mentionnées à l'article 717 du Code suisse des obligations.

Le Conseil d'administration est composé exclusivement d'administrateurs sans pouvoir exécutif, qui sont indépendants de la Direction générale et qui – à l'exception de Monica Mächler – n'ont jamais exercé d'activités de direction opérationnelle au sein du Groupe. Monica Mächler intègre Zurich Insurance Group SA en 1990, où elle assume les fonctions de Group General Counsel et Head of the Board Secretariat de 1999 à 2006; elle est nommée membre du Comité de direction du Groupe en 2001. Elle quitte la société en 2006. Monica Mächler satisfait aux exigences en matière d'indépendance du Code suisse de bonne pratique pour le gouvernement d'entreprise. Le Comité de gouvernance et des nominations vérifie chaque année l'indépendance des membres du Conseil d'administration et présente ses constatations au Conseil d'administration pour détermination finale. Les membres du Conseil d'administration sont aussi soumis à des règlements et consignes devant permettre d'éviter les conflits d'intérêts et réglementant l'utilisation des informations internes.

Une auto-évaluation de l'ensemble du Conseil d'administration a lieu une fois par an. En 2013, cette évaluation a été réalisée au moyen d'un examen indépendant réalisé par un consultant externe. L'examen portait sur les trois aspects clés suivants visant à mesurer l'efficacité du Conseil d'administration: l'environnement du Conseil d'administration (culture et composition), son travail (stratégie, risque et contrôle, et gestion de la performance), et l'utilisation du temps et des processus (planification). Les résultats et recommandations ont fait l'objet d'un rapport détaillé. Parmi les recommandations formulées figuraient la consolidation de l'expérience des membres du Conseil d'administration dans le secteur de l'assurance et sur les marchés émergents, la possibilité de mandats croisés au sein des comités du Conseil d'administration et l'augmentation du temps consacré aux discussions informelles et aux séances de formation. Le Conseil d'administration a étudié le rapport et ses recommandations sont actuellement mises en œuvre.

Les fonctions de président du Conseil d'administration et de CEO étant séparées et le Conseil d'administration étant exclusivement composé de membres sans pouvoir exécutif, il n'est pas nécessaire de nommer un administrateur au poste de «lead director», conformément au Code suisse de bonne pratique.

Le CEO assiste de plein droit aux séances du Conseil d'administration. Les membres du GEC sont régulièrement invités par le Conseil d'administration à assister à ses réunions. D'autres cadres dirigeants assistent parfois également à ces réunions sur invitation du Conseil d'administration. La plupart des séances du Conseil d'administration comprennent des sessions privées sans la participation de la Direction générale.

Par le passé, le Conseil d'administration élisait parmi ses membres le président et le vice-président. Avec l'entrée en vigueur au 1er janvier 2014 de l'ordonnance contre les rémunérations abusives (ORAb), le président du Conseil d'administration sera à l'avenir élu chaque année dans le cadre de l'Assemblée générale des actionnaires, pour la première fois lors de l'Assemblée générale ordinaire du 2 avril 2014. Le Conseil d'administration nomme son secrétaire.

Le Conseil d'administration doit se réunir au moins six fois par an. En 2013, il s'est réuni à 18 reprises (dont quatorze réunions qui se sont déroulées en partie par télé-/visioconférence et cinq réunions qui ont duré deux jours). Une réunion a été entièrement consacrée à la discussion des thèmes stratégiques. Six réunions ont duré quatre heures ou plus (séance achevée dans la journée), trois ont duré environ trois heures en moyenne et neuf réunions ont duré moins de trois heures. Par ailleurs, le Conseil d'administration a approuvé une circulaire.

En 2013, le taux de participation moyen aux réunions était de 91%. Pour l'accomplissement de leurs obligations, les membres du Conseil d'administration ont consacré du temps supplémentaire à la participation aux réunions des Comités du Conseil et à la préparation aux réunions.

Rapport sur la gouvernance d'entreprise *suite*

Chiffres relatifs à la participation aux réunions

Chiffres relatifs à la participation aux réunions

au 31 décembre 2013	Conseil d'administration	Comité de gouvernance et des nominations	Comité d'audit	Comité de rémunération	Comité des risques
Nombre de réunions tenues	18	8	10	8	6
Nombre de membres	10[1]	6[1]	4	4	4
Présence aux réunions, en %	90	84	97	93	93

[1] Jusqu'au 28 août 2013, le Conseil d'administration était composé de onze membres et le Comité de gouvernance et des nominations de quatre membres.

Le Conseil d'administration est la plus haute autorité compétente pour la gestion de Zurich Insurance Group SA et, dans les limites prévues par la loi, du Groupe. Il est aussi la plus haute instance de supervision de la Direction générale. Il lui incombe plus particulièrement d'agir dans les domaines suivants:

- **Stratégie du Groupe:** le Conseil d'administration se réunit régulièrement, notamment pour examiner le portefeuille d'activités du Groupe, qui inclut entre autres sa stratégie concernant ses marchés cibles, ses acquisitions, ses clients et ses intermédiaires et sa stratégie en matière de ressources humaines.

- **Finance:** cette mission du Conseil d'administration consiste essentiellement à approuver chaque année le plan financier et d'exploitation, à établir des directives pour l'allocation du capital et la planification financière. De plus, le Conseil d'administration examine et approuve les états financiers consolidés annuels et intermédiaires (semestriels et trimestriels) du Groupe. Au-delà de certains seuils, le Conseil d'administration approuve des transactions de prêt et d'emprunt importantes.

- **Structure et organisation du Groupe:** le Conseil d'administration détermine et examine régulièrement les principes fondamentaux de la structure du Groupe, de même que les grands changements dans l'organisation de la direction du Groupe, entre autres dans les fonctions de direction. A cet égard, le Conseil d'administration se concerte en particulier sur le cadre d'exercice de la gouvernance d'entreprise du Groupe et son système de rémunération. Par ailleurs, le Conseil d'administration adopte et examine régulièrement les principes fondamentaux en matière de gouvernance, de conformité et de gestion des risques pour le Groupe. En outre, dans le cadre de l'obligation qui lui est faite de convoquer l'Assemblée générale des actionnaires et de soumettre des propositions à ladite assemblée, il analyse la politique concernant les dividendes et formule une proposition pour leur versement. Dans le cadre de ses attributions, le Conseil d'administration prend également des décisions relatives aux augmentations de capital, à l'homologation des augmentations de capital et est chargé de modifier les statuts en conséquence.

- **Développement des affaires**: au-delà de certains seuils, le Conseil d'administration examine et approuve régulièrement les acquisitions et les cessions d'activités et d'actifs, les investissements, les affaires nouvelles, les fusions, les joint-ventures, partenariats et les restructurations d'unités opérationnelles ou de comptes d'entreprises.

En 2013, le Conseil d'administration a concentré son attention sur les domaines suivants:

- examen de la stratégie 2014–2016, y compris amélioration de la performance en matière de planification des fonds propres, amélioration structurelle et augmentation de la croissance; conséquences de la faiblesse persistante des taux d'intérêt, p. ex. sur la gamme de produits propre aux activités du segment Global Life et la gestion des investissements;

- évolutions concernant la gouvernance d'entreprise et les aspects liés à la rémunération, ainsi que leur impact potentiel sur le Groupe, en particulier au vu des initiatives populaires «say-on-pay» («initiative contre les rémunérations abusives» et «initiative 1:12»);

- évaluation de l'efficacité du Conseil d'administration, avec la collaboration d'un consultant externe.

Le Conseil d'administration peut mettre en place des comités chargés de traiter des thèmes spécifiques et établir des attributions et des règlements concernant les tâches et responsabilités déléguées et les rapports au Conseil d'administration. A l'exception du Comité de rémunération, le Conseil d'administration constitue de tels comités parmi ses membres et à sa discrétion. Depuis l'entrée en vigueur au 1er janvier 2014 de l'ordonnance contre les rémunérations abusives

(ORAb), les membres du Comité de rémunération doivent être élus lors de l'Assemblée générale ordinaire des actionnaires. Les comités assistent le Conseil d'administration dans l'accomplissement de ses obligations. Ils analysent des thèmes et les proposent au Conseil d'administration pour que des mesures appropriées soient prises et des résolutions adoptées, à moins qu'ils ne soient autorisés à prendre eux-mêmes des décisions dans des domaines particuliers. En 2013, les réunions des comités ont duré deux heures en moyenne.

Le Conseil d'administration dispose des comités permanents ci-dessous, lesquels rendent régulièrement compte au Conseil et soumettent des résolutions à son approbation.

Comité de gouvernance et des nominations

Composition et membres: le Comité de gouvernance et des nominations est composé d'au moins quatre membres du Conseil d'administration. A l'heure actuelle, Tom de Swaan (président), Victor L.L. Chu, Rafael del Pino, Thomas Escher, Fred Kindle et Monica Mächler forment ce comité.

Principales missions et responsabilités: de manière générale, le Comité de gouvernance et des nominations

- supervise la gouvernance du Groupe et la compare aux meilleures pratiques reconnues afin de garantir la protection complète des droits des actionnaires;
- élabore des directives de gouvernance d'entreprise qu'il propose au Conseil d'administration et examine de temps en temps;
- s'assure de la conformité avec les exigences de déclaration des informations dans le cadre de la gouvernance d'entreprise et avec les exigences légales et réglementaires;
- est chargé de planifier la relève des membres du Conseil d'administration, du CEO et des membres du GEC. A cet égard, il propose les critères de nomination et de qualification des membres du Conseil et soumet des propositions au Conseil d'administration pour la composition de ce dernier et pour la nomination du président, du vice-président, du CEO et des membres du GEC. Les décisions finales relatives aux nominations et désignations sont prises par le Conseil d'administration, sous réserve de l'approbation des actionnaires dans la mesure où une telle procédure est prévue; et
- examine le système de perfectionnement des cadres et supervise les progrès réalisés dans la planification de la relève.

Activités en 2013: en 2013, les sujets suivants ont été abordés:

- l'évolution des aspects liés à la gouvernance d'entreprise, notamment la mise en œuvre des changements législatifs et réglementaires concernant les droits accordés aux actionnaires et les régimes de rémunération;
- la planification de la relève du Conseil d'administration,
- la planification de la relève des cadres supérieurs, les stratégies de gestion des talents et de formation de groupe; et
- l'évaluation externe du Conseil d'administration et les recommandations en résultant.

Comité de rémunération

Composition et membres: les règlements organisationnels de Zurich Insurance Group SA stipulent que le Comité de rémunération doit être composé d'au moins quatre membres du Conseil d'administration sans pouvoir exécutif. A l'heure actuelle, Thomas Escher (président), Dame Alison Carnwath, Rafael del Pino et Tom de Swaan forment ce comité.

Principales missions et responsabilités: de manière générale, le Comité de rémunération

- évalue régulièrement le système et les règles de rémunération du Groupe et propose, le cas échéant, des amendements au Conseil d'administration, qui est responsable de la conception, de la réalisation et de la surveillance de la structure des rémunérations au sein du Groupe.

  Les règles de rémunération et la gouvernance des rémunérations du Groupe sont détaillées dans le Rapport sur les rémunérations aux pages 70 à 99;

Rapport sur la gouvernance d'entreprise *suite*

- soumet la rémunération des administrateurs à l'approbation du Conseil d'administration;
- négocie, conformément aux règles de rémunération, les conditions de travail du CEO et examine celles des autres membres du GEC – telles que négociées par le CEO – avant de les soumettre à l'approbation du Conseil d'administration;
- coopère avec le CEO sur d'autres questions importantes relevant de l'emploi, des salaires et des avantages sociaux;
- examine la performance des programmes d'incitations à court et à long terme conçus pour les hauts dirigeants. En outre, afin de favoriser l'adéquation entre les rémunérations et la capacité de prise de risque du Groupe, Group Risk Management consulte les autres fonctions de gouvernance, de contrôle et d'audit et compliance en vue d'un examen des facteurs de risque à prendre en compte lors de l'évaluation de la performance globale qui sert au calcul des primes annuelles. Le Chief Risk Officer se tient à la disposition du Comité de rémunération et du Conseil d'administration pour discuter de ces résultats.

Activités en 2013: en 2013, les sujets suivants ont été abordés:

- la performance du Groupe, des segments et du GEC ainsi que l'approbation des avantages accordés dans le cadre du plan d'incitation à court terme (STIP) et du plan d'incitation à long terme (LTIP) en 2012, y compris l'approbation de l'enveloppe totale de rémunération variable pour 2012;
- l'environnement réglementaire, dont les répercussions de la circulaire 2010/1 de la FINMA «Systèmes de rémunération» et certains aspects de la rémunération évoqués par Ethos et ISS;
- les évolutions concernant les questions liées à la rémunération et leur impact potentiel sur Zurich;
- les niveaux de participation au capital-actions des membres du Conseil d'administration et du GEC (pour obtenir des détails complémentaires, veuillez consulter le Rapport sur les rémunérations aux pages 85 et 91 à 93);
- lors de la réunion conjointe avec le Comité des risques, les aspects de la structure de rémunération du Groupe qui relèvent de la gestion des risques;
- lors de son examen annuel, le rapport sur les rémunérations, les règles de rémunération, les règles du Comité de rémunération, et leur approbation;
- lors de son examen annuel, la rémunération du Conseil d'administration et du GEC;
- la compréhension des exigences de l'initiative «Minder» et de l'ordonnance contre les rémunérations abusives (ORAb); et
- l'examen du programme d'incitations pour 2013.

Le Comité de rémunération a choisi ses propres conseillers indépendants, Meridian Compensation Partners, LLC et Aon Hewitt, qui l'assistent dans son examen des structures et des pratiques de rémunération.

Comité d'audit

Compostition et membres: les règlements organisationnels de Zurich Insurance Group SA stipulent que le Comité d'audit doit être composé d'au moins quatre membres du Conseil d'administration sans pouvoir exécutif et indépendants de la Direction générale. A l'heure actuelle, Don Nicolaisen (président), Fred Kindle, Rolf Watter et Susan Bies, qui répondent tous aux critères d'indépendance et de qualification, forment ce comité.

La charte du Comité d'audit stipule que celui-ci, pris dans son ensemble, doit avoir (i) des connaissances des normes IFRS et des états financiers, (ii) la faculté d'évaluer l'application générale de ces normes en rapport avec la comptabilisation des estimations, des charges et des provisions techniques, (iii) l'expérience de la préparation, de l'audit, de l'analyse ou de l'évaluation d'états financiers dont l'ampleur et le niveau de complexité des questions comptables sont généralement comparables à ceux de Zurich Insurance Group SA et du Groupe, ou l'expérience de la supervision active d'une ou de plusieurs personnes exerçant ces activités, (iv) une compréhension suffisante des contrôles et procédures internes concernant l'établissement de rapports financiers et (v) une compréhension des fonctions des comités d'audit.

Pour faciliter un échange d'informations permanent entre le Comité des risques et le Comité d'audit, le président du Comité d'audit est membre du Comité des risques et un membre du Comité des risques est membre du Comité d'audit. Le président du Conseil d'administration est régulièrement invité à participer aux réunions du Comité des risques et du Comité d'audit.

Les auditeurs externes, les auditeurs internes, les membres compétents du GEC et autres dirigeants assistent à ses réunions afin, entre autres, de débattre des rapports d'audit, d'examiner et d'évaluer le concept d'audit et le processus d'examen et d'évaluer les activités des auditeurs internes et externes. Des entretiens privés avec les auditeurs externes et internes sont programmés à l'occasion d'une majorité de réunions du Comité d'audit pour permettre des discussions en l'absence des représentants de la Direction générale.

Pour de plus amples informations sur la supervision et le contrôle du processus d'audit externe, veuillez consulter les pages 65 et 66.

Principales missions et responsabilités: de manière générale, le Comité d'audit

- fait office d'instance centrale pour la communication et la surveillance propres à la comptabilité financière et aux rapports financiers, au contrôle interne, à l'actuariat et à la compliance;
- examine le processus d'audit du Groupe (y compris l'établissement des principes fondamentaux de l'audit de Zurich Insurance Group SA et du Groupe, de même que la soumission de propositions en la matière);
- examine au moins une fois par an les normes de contrôle interne, y compris les activités, les plans, l'organisation et la qualité de l'audit interne et de la compliance du Groupe. Le contrôle interne et les procédures relatives à leur examen sont réalisés conformément aux directives sur le contrôle interne «Internal Control: Revised Guidance to Directors on the UK Corporate Governance Code» (connues autrefois sous l'appellation «Turnbull Guidance») applicables au Royaume-Uni dans leur version d'octobre 2005, cf. pages 67 à 69; et
- examine les rapports financiers annuels, semestriels et trimestriels du Groupe avant de les soumettre au Conseil d'administration.

Activités en 2013: en 2013, les sujets suivants ont été abordés:

- les modifications des conventions comptables (p. ex. la norme IFRS 10 qui a été adoptée en 2013);
- les rapports trimestriels, l'accent étant mis sur les aspects comptables et de provisionnement;
- l'efficacité du cadre de contrôle interne;
- les plans de travail et les conclusions de Group Audit, la mise en œuvre de mesures correctives par la Direction générale;
- le travail des auditeurs externes, les conditions de leur engagement et les conclusions des auditeurs externes sur des avis et estimations clés dans les états financiers; et
- le plan de compliance annuel du Groupe, qu'il a approuvé et dont il s'est servi pour évaluer les progrès réalisés au cours de l'année. Le Comité d'audit a aussi examiné des questions et tendances de la compliance, dont l'évolution des exigences réglementaires vis-à-vis de la fonction compliance.

Comité des risques

Composition et membres: les règlements organisationnels de Zurich Insurance Group SA stipulent que le Comité des risques doit être composé d'au moins quatre membres du Conseil d'administration sans pouvoir exécutif et indépendants de la Direction générale. A l'heure actuelle, Susan Bies (présidente), Dame Alison Carnwath, Monica Mächler et Don Nicolaisen forment ce comité.

Pour faciliter un échange d'informations permanent entre le Comité des risques et le Comité d'audit, le président du Comité d'audit est membre du Comité des risques et un membre du Comité des risques (actuellement Susan Bies) est membre du Comité d'audit. Le président du Conseil d'administration est régulièrement invité à participer aux réunions du Comité des risques et du Comité d'audit.

Rapport sur la gouvernance d'entreprise *suite*

Principales missions et responsabilités: de manière générale, le Comité des risques

- supervise la gestion des risques au sein du Groupe, en particulier la tolérance au risque du Groupe, y compris les limites convenues que le Conseil d'administration considère comme acceptables pour Zurich, le cumul des limites convenues à travers le Groupe, la mesure de l'adhésion aux capacités de risques convenues et la capacité du Groupe à assumer des risques en rapport avec les niveaux de capital anticipés;
- supervise également le cadre de gouvernance des risques dans tout le Groupe, y compris la gestion et le contrôle des risques, les politiques de risque et leur mise en œuvre, la stratégie des risques et la surveillance des risques opérationnels;
- examine les méthodologies de mesure des risques et le respect par le Groupe de ses limites de risques; examine aussi la performance de la fonction de gestion des risques;
- examine, avec les responsables des centres d'activité et la fonction de gestion des risques du Groupe, les règlements et procédures généraux du Groupe et s'assure que des systèmes efficaces de gestion des risques sont en place; et
- reçoit régulièrement des rapports de la fonction de gestion des risques du Groupe et évalue si d'importants enjeux se rapportant à la gestion et au contrôle des risques sont traités de manière adéquate et en temps voulu par la direction.

Activités en 2013: le Comité des risques s'est réuni à six reprises en 2013. Du point de vue de la gestion des risques dans l'entreprise, le Comité des risques a notamment abordé les sujets suivants:

- les résultats de l'évaluation du profil de risque du Groupe ainsi que l'évolution et l'évaluation du capital économique et réglementaire du Groupe;
- les résultats de l'évaluation du Total Risk Profiling™ (TRP) du Groupe, dont une mise à jour concernant la propriété des risques et les mesures de réduction des risques;
- la politique de risque de Zurich (Zurich Risk Policy, ZRP), y compris l'examen annuel et l'approbation de chapitres ajoutés et modifiés;
- les risques de marché et de crédit, et le contrôle de ces risques, dont un rapport sur les produits dérivés;
- la mise en œuvre d'un nouveau modèle de risque et d'évaluation spécifique au marché dans le segment Global Life, dont les hypothèses actualisées concernant l'environnement économique actuel;
- les risques opérationnels et le contrôle de ces risques;
- lors de la réunion conjointe avec le Comité de rémunération, les aspects de la structure de rémunération du Groupe qui relèvent de la gestion des risques.

Par ailleurs, pour ce qui est des risques propres aux segments et aux régions, le Comité des risques a concentré son travail sur les aspects suivants:

- les risques propres à General Insurance et le contrôle de ces risques, dont les risques émergents, le risque de catastrophe, la gestion de l'accumulation des risques, les examens des souscriptions et la réassurance;
- les risques propres à Global Life et le contrôle de ces risques, dont le processus d'approbation de produits;
- les risques inhérents à la gestion des placements et à la gestion actif-passif et le contrôle de ces risques; et
- les risques propres aux activités et le contrôle de ces risques, et les analyses approfondies (p. ex. Farmers et Asie-Pacifique, risque informatique et sécurité des données, mise à jour sur le risque réglementaire).

Pour de plus amples informations sur la gouvernance des risques, veuillez consulter la Risk review aux pages 127 à 177.

Domaines de responsabilité du Conseil d'administration et de la Direction
Le Conseil détermine la stratégie globale du Groupe, supervise les cadres supérieurs et examine les questions clés relevant de la stratégie, des finances, de la structure, de l'organisation et du développement des activités. Le Conseil d'administration approuve notamment le plan stratégique du Groupe ainsi que les plans financiers annuels établis par la Direction générale. Il examine et approuve les états financiers annuels, semestriels et trimestriels de Zurich Insurance Group SA et du Groupe. Pour en savoir plus sur les responsabilités du Conseil d'administration, veuillez consulter les pages 47 à 49.

A l'exception des pouvoirs qui lui sont réservés, comme mentionné ci-dessus, le Conseil d'administration a délégué la direction du Groupe au CEO. Le CEO et, sous sa direction, le GEC sont responsables du développement et de l'exécution des plans stratégiques et financiers approuvés par le Conseil d'administration. Le CEO a des pouvoirs et des devoirs spécifiques pour ce qui est des questions stratégiques, financières et autres, ainsi qu'en ce qui concerne la structure et l'organisation du Groupe. De plus, il dirige, supervise et coordonne les activités des membres du GEC. Le CEO veille à ce que des outils de gestion appropriés pour le Groupe soient développés et mis en œuvre et il représente les intérêts généraux du Groupe. Le CEO a le pouvoir d'approuver certaines acquisitions et cessions d'activités et d'actifs, des investissements et l'engagement dans de nouvelles activités, fusions, joint-ventures et partenariats avec d'autres organisations.

Instruments d'information et de contrôle vis-à-vis du Comité exécutif du Groupe
Le Conseil d'administration supervise la Direction générale et surveille sa performance par des processus d'établissement de rapports et de contrôle. Les rapports réguliers du CEO et d'autres membres de la Direction générale au Conseil d'administration fournissent des informations appropriées et actualisées, y compris des données clés sur les segments d'activité principaux, des informations financières, des informations sur les risques existants et potentiels, des mises à jour sur les évolutions dans les principaux marchés et vis-à-vis des principaux concurrents et d'autres événements importants. Le président du Conseil d'administration rencontre régulièrement le CEO. Il rencontre aussi ponctuellement tous les autres membres du GEC et cadres supérieurs en dehors des réunions ordinaires du Conseil d'administration. Il en va de même pour les autres membres du Conseil d'administration, qui rencontrent notamment le Chief Financial Officer et le Chief Risk Officer.

Le Groupe a mis en place un système d'information et de présentation de l'information financière. Le plan annuel pour le Groupe, qui inclut un résumé des paramètres financiers et opérationnels, est examiné en détail par le GEC et approuvé par le Conseil d'administration. Des mises à jour mensuelles permettent de comparer la performance réelle avec le plan. Les prévisions pour l'année sont révisées, si nécessaire, afin de refléter les changements au niveau des influences et des risques pouvant affecter les résultats du Groupe. Le cas échéant, des actions sont engagées en cas d'écart. Ces informations sont examinées chaque mois par le GEC et chaque trimestre par le Conseil d'administration.

Le Groupe a adopté et applique une méthode de gestion et de contrôle des risques coordonnée, formalisée et cohérente. Des informations sur le processus de gestion des risques du Groupe sont présentées dans la section Risk review à la page 127. La Déclaration de gestion des risques et de contrôle interne aux pages 67 à 69 décrit l'approche du Groupe au regard de la gestion des risques et des contrôles internes, conformément aux directives sur le contrôle interne «Internal Control: Revised Guidance to Directors on the UK Corporate Governance Code» (connues autrefois sous l'appellation «Turnbull Guidance») applicables au Royaume-Uni dans leur version d'octobre 2005.

La fonction d'audit interne, les auditeurs externes et la fonction de compliance assistent également le Conseil d'administration dans l'exercice de ses devoirs de contrôle et de supervision. Des informations relatives aux principaux domaines d'activité de ces fonctions figurent aux pages 66 à 67.

Comité exécutif du Groupe (GEC)

Notre Comité exécutif s'efforce de réaliser notre ambition: devenir le meilleur assureur mondial aux yeux de nos actionnaires, de nos clients et de nos collaborateurs.


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1 Martin Senn
Chief Executive Officer

2 Jeff Dailey
Chief Executive Officer
Farmers Group, Inc.

3 Mike Foley
Chief Executive Officer
North America Commercial,
président de la région North America

4 Yannick Hausmann
Group General Counsel

5 Michael Kerner
Chief Executive Officer
General Insurance

6 Axel P. Lehmann
Chief Risk Officer,
président de la région Europe

7 Cecilia Reyes
Chief Investment Officer

8 Geoff Riddell
Président de la région
Asia Pacific & Middle East

9 Kristof Terryn[1]
Chief Executive Officer
Global Life

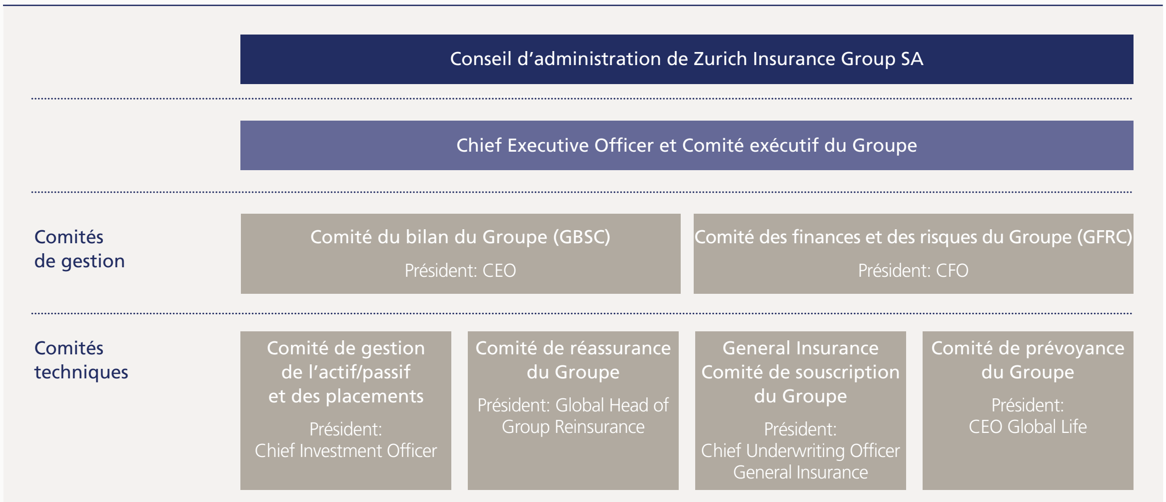
10 Markus Nordlin[2]
Group Head of Operations par intérim,
Chief Information Technology Officer

11 Vibhu Sharma[2]
Chief Financial Officer par intérim,
Group Controller

[1] Assumait la fonction de Chief Executive Officer Global Life le 14 août 2013
[2] Non membres du GEC

Direction du Groupe
Comité exécutif du Groupe (GEC)

Direction du Groupe
au 31 décembre 2013



Dans la mesure où ces tâches ne sont pas réservées au Conseil d'administration, la gestion des affaires est déléguée au CEO. Le CEO et, sous sa supervision, le GEC sont responsables des questions relevant de la politique stratégique, financière et commerciale à l'échelon du Groupe, y compris la performance consolidée, l'allocation du capital ainsi que les fusions et acquisitions.

Le GEC est présidé par le CEO. Au 31 décembre 2013, le GEC était composé du Chief Investment Officer, du Chief Risk Officer et du Group General Counsel. Afin de refléter les branches d'activités et la géographie, les CEO des segments d'activité General Insurance, Global Life et Farmers ainsi que le CEO de North America Commercial sont également membres du GEC. Les membres du GEC font également office de présidents des régions Europe, Amérique du Nord et Asie-Pacifique & Moyen-Orient. Par ailleurs au 31 décembre 2013, le Group CFO et le Group Head of Operations exerçaient leurs fonctions à titre intérimaire et ne faisaient pas partie du GEC.

Des comités spécifiques interfonctionnels ont été mis en place pour certains domaines clés afin de faciliter la coordination et le rapprochement des recommandations soumises à l'approbation du CEO sur des thèmes spécifiques.

Comités de la Direction générale
Le Comité du bilan du Groupe (GBSC)

Membres: Chief Executive Officer (président), Chief Financial Officer (vice-président), Chief Investment Officer, Chief Risk Officer, Chief Executive Officer General Insurance, Chief Executive Officer Global Life.

Principales missions et responsabilités:

- organe consultatif interfonctionnel chargé principalement de contrôler les activités qui ont des répercussions notables sur les bilans du Groupe et de ses filiales et de soumettre des recommandations à ce sujet;
- établit les plans annuels relatifs au capital et au bilan du Groupe en fonction des plans stratégique ou financier de celui-ci et recommande des transactions spécifiques ou des changements commerciaux non planifiés susceptibles d'avoir un impact important sur le bilan du Groupe;
- supervise tous les aspects principaux qui ont des répercussions sur le bilan, dont la gestion du capital, la réassurance, la gestion de l'actif-passif, la politique sur les dividendes et le rachat d'actions, la liquidité, l'effet de levier, les agences de notation et d'autres aspects et questions liés au bilan évalués entre autres par le modèle de capital économique de Zurich Insurance Group (Zurich Economic Capital Model, Z-ECM).

Rapport sur la gouvernance d‘entreprise *suite*

Les membres du Comité des finances et des risques du Groupe (GFRC): Chief Financial Officer (président), Chief Risk Officer (vice-président), Chief Investment Officer, Group General Counsel, Group Head of Operations.

Principales missions et responsabilités:

- organe interfonctionnel chargé des questions financières et de gestion des risques dans le cadre de la stratégie et de l'activité commerciale globale du Groupe;
- supervise les implications financières des décisions commerciales et assure une gestion efficace du profil de risques global du Groupe, y compris les risques liés à l'assurance, aux marchés financiers et à la gestion de l'actif-passif, les risques de crédit et opérationnels ainsi que les interactions parmi ces risques; et
- vérifie et formule des mesures à prendre en lien avec de potentielles opérations de fusion et acquisition et des affaires qui relèvent de la gestion des finances et des risques.

Comités techniques

En complément des comités de la Direction générale, la structure de gouvernance du Groupe met à disposition des comités aux fonctions plus techniques qui facilitent l'exécution des activités commerciales de Zurich de plusieurs manières.

Le Comité de gestion de l'actif-passif et des placements, présidé par le Chief Investment Officer, est un organe interdivisionnel qui a pour mission première de surveiller et d'examiner la gestion de l'actif-passif du Groupe et l'allocation stratégique des actifs détenus par Zurich.

Le Comité de réassurance du Groupe, présidé par le Global Head of Group Reinsurance, dirige le processus administratif de réassurance du Groupe. Il est aussi chargé de définir et mettre en œuvre la stratégie de réassurance du Groupe en accord avec la gestion des risques du Groupe. Il dirige aussi les activités de réassurance dans les segments et garantit que ceux-ci ont accès aux capacités de réassurance requises aux conditions du marché.

Le Comité de souscription de General Insurance, présidé par le Chief Underwriting Officer General Insurance, est l'instance centrale pour la fonction de souscription au sein de General Insurance. Il a pour fonctions principales d'approuver la politique de souscription et de contrôle connexe, de concevoir et d'entériner la stratégie de souscription du Groupe, de surveiller le contrôle de l'accumulation des risques et d'approuver les plans de réduction des risques. Le comité est aussi chargé d'approuver les nouvelles transactions (ou reconductions) captives et les nouveaux produits. Pour terminer, il supervise et surveille les examens des souscriptions techniques.

Le Comité de prévoyance du Groupe, présidé par le Chief Executive Officer Global Life, a pour mission de concevoir et mettre en place un cadre de gouvernance, dont les politiques et processus adéquats pour les questions ayant trait à la prévoyance. Il assume un rôle de supervision et de conseil pour les principaux plans de prévoyance et régimes de retraite. Il intervient à différents niveaux: comptabilité, modalités d'octroi, financement et investissement. Il remet au Comité du bilan du Groupe des recommandations sur des questions de prévoyance importantes.

Panels

Afin de renforcer sa compréhension et son évaluation des enjeux et des risques auxquels Zurich peut être confrontée, le Groupe recourt à des compétences et des avis externes. Au 31 décembre 2013, trois panels d'experts universitaires, commerciaux et industriels de premier plan lui fournissaient une analyse externe et une expertise spécifique. Ceux-ci ne sont pas des organes du Groupe et n'ont pas de pouvoir décisionnel. Ils apportent la compétence et les conseils nécessaires aux cadres supérieurs ou à certaines fonctions du Groupe. L'International Advisory Council, en particulier, a pour tâche de fournir une perspective et des compétences externes au CEO et aux membres du GEC sur les stratégies de croissance et de politique publique du Groupe. L'Investment Management Advisory Council fournit une analyse externe sur les résultats et la stratégie de placement de Zurich et sur l'atteinte de rendements supérieurs adaptés à la gestion des actifs-passifs des placements du Groupe. Le Natural Catastrophe Advisory Council fournit une expertise spécifique sur les tendances de survenance, la prévisibilité et les effets destructeurs des catastrophes naturelles ainsi qu'une analyse externe sur l'approche de Zurich face à de telles catastrophes afin d'améliorer l'efficacité de ses souscriptions et de ses achats de réassurance.

Membres du GEC au 31 décembre 2013

Nom	Nationalité	Né(e) en	Function
Martin Senn	Suisse	1957	Chief Executive Officer
Jeff Dailey	Américain	1957	Chief Executive Officer Farmers Group, Inc.
Mike Foley	Américain	1962	Chief Executive Officer North America Commercial, président de la région North America
Yannick Hausmann	Suisse	1967	Group General Counsel
Michael Kerner	Américain	1965	Chief Executive Officer General Insurance
Axel Lehmann	Suisse	1959	Chief Risk Officer et président de la région Europe
Cecilia Reyes	Suisse/Philippine	1959	Chief Investment Officer
Geoff Riddell	Britannique	1956	Président de la région Asia Pacific & Middle East
Kristof Terryn	Belge	1967	Chief Executive Officer Global Life

Tous les membres actuels du GEC ont siégé au sein de l'instance tout au long de l'année 2013.

Kristof Terryn, ancien Group Head of Operations et membre du GEC, a été nommé Chief Executive Officer Global Life, succédant à Kevin Hogan qui a quitté le GEC et son poste de Chief Executive Officer Global Life le 14 août 2013.

Markus Nordlin, actuellement Chief Information Officer, a assumé la responsabilité de Group Operations par intérim, succédant à Kristof Terryn, avec effet au 14 août 2013.

Avec effet au 26 août 2013, Vibhu Sharma, actuellement Group Controller, a assumé la responsabilité de Group Finance par intérim, succédant à Pierre Wauthier, ancien Chief Financial Officer.

Ni Markus Nordlin, ni Vibhu Sharma ne sont membres du GEC.

Pour plus d'informations sur les indemnités de résiliation contractuelles, veuillez consulter la page 63.

Rapport sur la gouvernance d'entreprise *suite*

Biographies

Martin Senn (1957), citoyen suisse
Chief Executive Officer
Parcours professionnel: Martin Senn a suivi une formation de banquier et a travaillé à l'ancienne Société de Banque Suisse de 1976 à 1994. Il y a exercé entre autres les fonctions de trésorier à Hong Kong et de trésorier régional pour l'Asie et la région Pacifique à Singapour, avant de gérer le bureau de la société à Tokyo. En 1994, il rejoint Credit Suisse, où il occupe diverses fonctions exécutives. Il est entre autres trésorier du siège social et de la division Europe, et président du Credit Suisse Group au Japon, chargé de restructurer et repositionner toutes les entités juridiques du Groupe au Japon. En 2001, il devient membre du Comité exécutif de Credit Suisse et est nommé responsable de la division Trading & Investment Services. De 2003 à 2006, il est membre du Comité exécutif et Chief Investment Officer du Groupe Swiss Life. Il devient Chief Investment Officer de Zurich Insurance Group en 2006. À ce titre, il siège au Comité exécutif du Groupe. Il prend ensuite les fonctions de Chief Executive Officer le 1er janvier 2010.
Mandats externes: M. Senn occupe des postes à hautes responsabilités dans de nombreuses organisations commerciales et industrielles, notamment chez Avenir Suisse, la Zurich Association of Economics, la Swiss-American Chamber of Commerce, la Geneva Association et l'Institut de la Finance Internationale (IIF). Par ailleurs, il est représentant de la Table ronde des CEO de l'assurance dommages, membre du Forum de l'assurance paneuropéen (PEIF), de la Table ronde européenne des services financiers (EFR), du conseil consultatif de la Tsinghua School of Economics and Management et du comité consultatif international de l'Atlantic Council. M. Senn est aussi membre du Conseil de fondation du Festival de Lucerne et consul honoraire de la République de Corée à Zurich.
Formation: Martin Senn est titulaire d'un diplôme commercial et bancaire délivré par l'École commerciale de Bâle, en Suisse. Il a également suivi l'International Executive Program de l'INSEAD à Fontainebleau ainsi que l'Advanced Management Program de la Harvard Business School.

Jeff Dailey (1957), citoyen américain
CEO de Farmers Group, Inc.
Parcours professionnel: Jeff Dailey débute sa carrière chez Mutual Service Insurance Company en 1980. Il travaille ensuite chez Progressive Insurance Company. Il fonde plus tard la Reliant Insurance Company, une start-up en assurances automobiles détenue par Reliance Group Holdings, qui sera vendue à Bristol West Holdings Inc. en 2001. Entre 2001 et 2004, M. Dailey est COO de Bristol West, avant d'en être nommé président en 2004, après l'introduction réussie de l'entreprise à la Bourse de New York. En 2006, il devient CEO de Bristol West. M. Dailey intègre Farmers en 2007 en tant que président de l'assurance des particuliers au moment où Farmers acquiert Bristol West. En janvier 2011, il est promu président et Chief Operating Officer (COO) de Farmers Group, Inc. Il entre au Conseil d'administration de Farmers Group, Inc. en février 2011. M. Dailey est nommé CEO de Farmers Group, Inc. et rejoint le GEC en janvier 2012.
Mandats externes: Aucun
Formation: M. Dailey est diplômé en économie de l'Université du Wisconsin à Madison et titulaire d'un MBA de l'Université du Wisconsin à Milwaukee.

Mike Foley (1962), citoyen américain
CEO North America Commercial et président de la région North Amercia
Parcours professionnel: Mike Foley suit le programme de formation en gestion financière de l'Armtek Corporation à New Haven, au Connecticut, en 1984. Après l'obtention de son diplôme à la Kellogg School of Management en 1989, M. Foley devient associé du Deerpath Group à Lake Forest, dans l'Illinois. Il est ensuite élu vice-président de la société et devient responsable d'un portefeuille de placements en actions dans divers entreprises acquises. En 1993, il accède à la fonction de président d'Electrocal, Inc, dans le Connecticut. En 1996, M. Foley rejoint McKinsey & Company à Chicago, dans l'Illinois, en tant que directeur et dirige ensuite les activités d'assurance dommages en Amérique du Nord. Il rejoint Zurich en 2006 en tant que Chief Operating Officer de la division d'affaires North America Commercial et, en janvier 2008, est nommé CEO de cette division et membre du GEC. M. Foley et aussi président de la région North America et président du Conseil de Zurich Holding Company of America, Inc (ZHCA).
Mandats externes: M. Foley est président du Conseil d'administration de l'American Insurance Association.
Formation: M. Foley est titulaire d'un Bachelor of Science de la Fairfield University, à Fairfield, Connecticut (1984), et d'un master obtenu à la JL Kellogg Graduate School of Management de la Northwestern University d'Evanston, dans l'Illinois (1989).

Yannick Hausmann (1967), citoyen suisse
Group General Counsel
Parcours professionnel: Yannick Hausmann débute sa carrière professionnelle en 1995 dans un cabinet d'avocats à Bâle. De 1998 à 2000, il est associé au département des affaires fiscales et juridiques d'Arthur Andersen AG et d'Andersen Legal à Zurich. Il a été membre du service Affaires juridiques et compliance de l'Association suisse d'assurances pendant plusieurs années. M. Hausmann rejoint l'équipe Zurich Corporate Center Litigation and Investigation en 2000. Il occupe son poste actuel depuis décembre 2009. En juillet 2012, il a été élu membre du GEC. Il supervise les fonctions Legal, Compliance et GAIA (Government and Industry Affairs) à l'international pour le Groupe Zurich et le Board Secretariat. M. Hausmann est membre du Conseil d'administration de Farmers Group, Inc. depuis février 2011. En juillet 2013, il est élu au Conseil d'administration de Zurich Insurance plc (Irlande).
Mandats externes: M. Hausmann siège au sein des comités juridiques de la Swiss-American Chamber of Commerce et d'economiesuisse depuis 2009. En 2011, il entre dans le Conseil de fondation du Musée Haus Konstruktiv à Zurich. En mai 2013, il devient membre de l'Institut européen de l'Université de Zurich.
Formation: M. Hausmann a obtenu son doctorat en droit à l'Université de Bâle en 1995 et le brevet d'avocat du canton de Bâle en 1997. Il est titulaire d'un Master of Laws (LL.M.) de la New York University School of Law (2003). Il a par ailleurs suivi l'Advanced Management Program de la Harvard Business School en 2012.

Michael Kerner (1965), citoyen américain
CEO General Insurance
Parcours professionnel: En 1992, M. Kerner quitte la Continental Insurance Company pour Zurich, où il occupe divers postes de cadre dirigeant. Il est entre autres Chief Operations Officer de Zurich North America Specialties et Head of Ceded Reinsurance pour Zurich North America de 2002 à 2005. Il assume la fonction de Global Head of Group Reinsurance de janvier 2006 à juin 2007 et occupe la fonction de Global Chief Underwriting Officer pour General Insurance et Head of Group Strategy à Zurich de 2007 à 2009. Avant d'accéder à son poste actuel, il a occupé la fonction de Chief Executive Officer de Zurich Global Corporate pour North America.
Mandats externes: Aucun
Formation: M. Kerner est titulaire d'un Bachelor of Science en mathématiques et économie de la State University of New York, à Binghamton. M. Kerner est membre de la Casualty Actuarial Society et de l'American Academy of Actuaries.

Axel P. Lehmann (1959), citoyen suisse
Chief Risk Officer et président de la région Europe
Parcours professionnel: M. Lehmann a occupé les fonctions de Project Manager et d'associé de recherche à l'Institut de l'économie de l'assurance de l'Université de St-Gall. En 1989, il est nommé professeur en administration des entreprises à l'Université de St-Gall. Un an plus tard, il devient vice-président et responsable du Consulting and Management Development à l'Institut de l'économie de l'assurance et au Centre européen. En 1994, il enseigne à l'Université Bocconi, à Milan, en Italie, au titre de professeur invité, avant de prendre la direction du service Corporate Planning and Corporate Controlling chez Swiss Life à Zurich. M. Lehmann rejoint Zurich en 1996 en tant que membre de la haute direction de Zurich Suisse, puis il prend les fonctions de Head of Corporate Development et Head of Commercial Lines. En novembre 2000, il devient membre du Comité de direction du Groupe et responsable du développement commercial. En septembre 2001, il devient CEO de la région Europe du Nord, Europe centrale et Europe de l'Est, avant d'être nommé CEO du Groupe Zurich en Allemagne. En mars 2002, M. Lehmann rejoint le Comité exécutif du Groupe et devient CEO de la division commerciale Europe continentale. En 2004, il est chargé de l'intégration de la division Royaume-Uni, Irlande et Afrique du Sud au sein de la division Europe continentale. En septembre 2004, il devient CEO de Zurich American Insurance Company et de la division North America Commercial à Schaumburg, dans l'Illinois. En janvier 2008, il endosse sa fonction actuelle de Chief Risk Officer. Parallèlement, il est responsable de Group IT jusqu'à 2010. Il devient président du Conseil d'administration de Farmers Group, Inc. en juillet 2011 et président de la région Europe en octobre 2011.
Mandats externes: M. Lehmann siège au Conseil d'administration d'UBS SA. Il est aussi membre et ancien président du CRO Forum. M. Lehmann est professeur honoraire en administration des entreprises et gestion des services et président du Conseil d'administration de l'Institut d'économie de l'assurance (I.VW-HSG) de l'Université de Saint-Gall, en Suisse. Il siège également au Conseil d'administration d'economiesuisse.
Formation: M. Lehmann est titulaire d'un doctorat et d'un master en sciences économiques et administration des entreprises de l'Université de St-Gall, en Suisse, où il a aussi obtenu son habilitation. Il a suivi l'Advanced Management Program de la Wharton School. Sa thèse de doctorat a été récompensée par le prix Peter Werhahn de la meilleure thèse de doctorat en science de gestion et théorie universitaire. Il a réalisé ses travaux de recherche à la Harvard Business School et à l'Arizona State University.

Rapport sur la gouvernance d'entreprise *suite*

Cecilia Reyes (1959), citoyenne suisse et philippine
Chief Investment Officer
Parcours professionnel: Cecilia Reyes possède plus de 20 ans d'expérience dans les marchés financiers internationaux. De 1990 à 1995, elle a travaillé pour Credit Suisse à Zurich, dans divers postes au sein des services Credit Suisse Asset Management, Global Treasury et Securities Trading. En 1995, elle rejoint ING Barings à Londres et, en 1997, elle entre au Conseil d'administration et devient Head of Trading Risk Analytics. Elle s'installe ensuite à Amsterdam en 2000, où elle prend les fonctions de Head of Risk Analytics chez ING Asset Management. À ce poste, elle est chargée de développer des méthodes de gestion des risques pour la division gestion de patrimoine. Cecilia Reyes rejoint chez Zurich en janvier 2001 en tant que responsable régionale de Group Investments pour l'Amérique du Nord. En 2004, elle est nommée responsable régionale pour l'Europe et International Businesses. D'avril 2006 à mars 2010, elle est à la tête du service Investment Strategy Implementation. Elle occupe son poste actuel de Chief Investment Officer depuis avril 2010.
Mandats externes: Cecilia Reyes est membre du Conseil consultatif du département de banque et finance de l'Université de Zurich depuis 2011.
Formation: Cecilia Reyes est titulaire d'un doctorat en finance de la London Business School et d'un MBA de l'Université de Hawaï, aux Etats-Unis.

Geoffrey Riddell (1956), citoyen britannique
Président de la région Asia-Pacific & Middle East
Parcours professionnel: M. Riddell débute sa carrière chez Price Waterhouse en 1978. Quatre ans plus tard, il rejoint AIG, où il assume diverses fonctions, dont celle de directeur national pour Hong Kong, la Belgique et la France. Lors de son séjour à Hong Kong, il crée la première compagnie d'assurances dommages étrangère en Chine. Il rejoint Zurich en 2000, dans un premier temps comme directeur général de Zurich Commercial au Royaume-Uni, puis en tant que directeur général des activités Corporate et Government du Royaume-Uni. En 2002, il est nommé Chief Executive Officer du segment General Insurance au Royaume-Uni, en Irlande et en Afrique du Sud. En avril 2004, il devient CEO de Global Corporate, puis est nommé au Comité exécutif du Groupe en octobre 2004. En 2009, il devient CEO de la région Asia-Pacific & Middle East (APME). Il est alors responsable de l'assurance-vie et de General Insurance dans la région APME. La même année, il est nommé président de Global Corporate. En 2010, il prend le poste nouvellement créé de président de la région Asia-Pacific & Middle East. M. Riddell est un ancien membre du General Insurance Council de l'Association of British Insurers, et a été président de son Liability Committee pendant trois ans. De 1990 à 1995, il est membre du Conseil de la Fédération des assureurs de Hong Kong. Il siège aux conseils d'administration de Pool Re de février 2005 à août 2010 et du Forum for Global Health Protection de 2007 jusqu'à la fin de l'année 2010. Il a été membre du Comité de la Confederation of British Industry's Chairmen et a présidé le Conseil de CBI Financial Services jusqu'en septembre 2010. Jusqu'à fin 2009, il était membre du Conseil de fondation de l'IMD à Lausanne, du comité consultatif sur l'UE de la ville de Londres, ainsi que du comité consultatif du Lord-Mayor de Londres.
Mandats externes: M. Riddell siège au Comité général de la Chambre de commerce britannique à Hong Kong depuis le 1er avril 2011.
Formation: Geoffrey Riddell est titulaire d'un master (MA) en sciences naturelles (chimie) de l'Université d'Oxford (The Queen's College) et obtient ultérieurement un diplôme d'expert-comptable.

Kristof Terryn (1967), citoyen belge
CEO Global Life
Parcours professionnel: M. Terryn débute sa carrière professionnelle en 1993 dans le secteur bancaire, notamment les marchés des capitaux. En 1997, il intègre McKinsey & Company. Il occupe divers postes dans les services de conseils financiers à Bruxelles, puis à Chicago. Il rejoint Zurich en 2004 en tant que Head of Planning and Performance Management. En 2007, il devient Chief Operating Officer pour la division Global Corporate. En 2009, il est nommé Chief Operating Officer de General Insurance. M. Terryn devient membre du Comité exécutif du Groupe en 2010 suite à sa nomination au poste de Group Head of Operations. Il prend ses fonctions actuelles de CEO Global Life en août 2013.
Mandats externes: Aucun
Formation: M. Terryn est diplômé en droit et en économie de l'Université de Louvain, en Belgique, et titulaire d'un MBA de l'Université du Michigan.

Markus Nordlin (1963), citoyen finnois et américain
Group Head of Operations par intérim,
Chief Information Technology Officer
Parcours professionnel: M. Nordlin débute sa carrière en 1988 chez Andersen Consulting (qui deviendra Accenture) où il travaille dans le domaine des services financiers. Il est un membre fondateur du Global Investment Management Excellence Team créé par Anderson Consulting, au service de gestionnaires de portefeuille retail et institutionnels de premier ordre. Il rejoint Farmers Group de Zurich en 1999 où il occupe diverses fonctions dirigeantes dans le domaine de la technologie de l'information. En août 2004, il assume la fonction de Chief Information Officer de Farmers Group, Inc., une filiale à 100% de Zurich, et en 2005, il est promu Senior Vice President. En plus de sa fonction de direction chez Farmers, M. Nordlin a aussi dirigé différentes initiatives informatiques à l'échelle mondiale, notamment l'externalisation mondiale de l'infrastructure informatique de Zurich. Il prend sa fonction actuelle de Group Chief Information Technology Officer en 2010. En août 2013, il assume temporairement la responsabilité de Group Operations, y compris Global Business Services, Sourcing & Procurement, Internal Consulting et le Group Project Management Office en plus de Group IT.
Mandats externes: Aucun
Formation: M. Nordlin est titulaire d'un Bachelor of Science en génie civil de l'Université Brigham Young et d'un Master of Business Administration (MBA) de l'Université de Californie, Los Angeles.

Vibhu Sharma (1966), citoyen américain
Chief Financial Officer par intérim, Group Controller
Parcours professionnel: M. Sharma débute sa carrière en 1987 chez KPMG LLP dont il devient un associé en 1998. En 2004, il rejoint le courtier en réassurance indépendant John B. Collins Associates, Inc., à Minneapolis, exerçant d'abord la fonction de Chief Financial Officer avant de devenir Chief Operating Officer. Il intègre Zurich North America en 2008 en tant que Chief Financial Officer, assumant des tâches de direction dans le domaine actuariel, du controlling, de l'impôt sur les sociétés, de la trésorerie ainsi que de la planification et de la performance. Suite à sa nomination de Group Controller en octobre 2012, il s'installe en Suisse pour assumer sa fonction au Corporate Center. Ses domaines de responsabilité incluent la comptabilité financière et le reporting du Groupe, la gestion de la planification et de la performance ainsi que des fonctions telles que les services financiers partagés et la transformation financière à l'échelle mondiale. Il est nommé Chief Financial Officer par intérim en août 2013.
Mandats externes: M. Sharma est membre de l'European Insurance CFO Forum.
Formation: Vibhu Sharma est titulaire d'un Bachelor en comptabilité de la Southern Methodist University et d'un Distinguished Service Award de l'Edwin L. Cox School of Business. Il est membre de l'American Institute of Certified Public Accountants et de la Minnesota Society of Certified Public Accountants.

Modifications intervenues dans la composition du GEC après le 1er janvier 2014

Le 16 décembre 2013, George Quinn a été nommé Chief Financial Officer et membre du GEC, avec effet au 1er mai 2014. Le 8 janvier 2014, Robert Dickie a été nommé Chief Operations and Technology Officer et membre du GEC, avec effet au 17 mars 2014.

Contrats de gestion

Zurich Insurance Group SA n'a pas transféré par contrat des parties substantielles de sa gestion à d'autres sociétés (ou individus) n'appartenant pas au Groupe (ou n'étant pas employés par ce dernier).

Droits de participation des actionnaires

Limitations des droits de vote et représentation

Chaque action inscrite au registre des actions donne droit à une voix à son titulaire. Il n'y a pas de limitation des droits de vote.

Un actionnaire ayant le droit de vote peut participer en personne aux Assemblées générales des actionnaires de Zurich Insurance Group SA. Il ou elle peut autoriser par écrit tout autre actionnaire ayant le droit de vote ou toute personne autorisée aux termes des statuts et d'une directive plus détaillée du Conseil d'administration à le ou la représenter à l'Assemblée générale. Aux termes des statuts, les mineurs ou pupilles peuvent se faire représenter par leur représentant légal, les personnes mariées par leur conjoint, et une personne morale peut être représentée par une personne autorisée à l'engager par sa signature, même si de telles personnes ne sont pas actionnaires.

Rapport sur la gouvernance d'entreprise *suite*

Avec l'entrée en vigueur de l'ordonnance contre les rémunérations abusives (ORAb), des droits de représentation ne peuvent être accordés qu'à un représentant indépendant, élu par l'Assemblée générale ordinaire. La durée des fonctions s'achève lors de l'Assemblée générale ordinaire suivante. Le représentant indépendant peut être réélu. En outre, les actionnaires ont la possibilité de donner des instructions de vote au représentant indépendant à l'occasion des Assemblées générales ordinaires par le biais de la plate-forme en ligne Sherpany.

Zurich Insurance Group SA peut, dans certaines circonstances, autoriser les ayants droit économiques des actions qui sont détenues par des nominees professionnels (une société de fiducie, une banque, un gestionnaire d'actifs professionnel, un organisme de compensation, un fonds de placement ou toute autre entité reconnue par Zurich Insurance Group SA), à assister aux Assemblées générales des actionnaires et à exercer des droits de vote pour le compte du nominee en question. Pour plus de détails, voir page 34.

Zurich Insurance Group SA a remis des appareils de vote électronique à ses actionnaires pour qu'ils votent toutes les résolutions prises lors de l'Assemblée générale ordinaire du 4 avril 2013. Conformément aux usages et lois suisses, Zurich Insurance Group SA informe tous les actionnaires, dès le début de l'Assemblée générale, du nombre total des votes par procuration qu'elle a reçu.

Quorums statutaires

Conformément aux statuts, l'Assemblée générale ordinaire constitue un quorum, indépendamment du nombre d'actionnaires présents et du nombre d'actions représentées. Les résolutions et les élections requièrent généralement l'approbation d'une majorité simple des voix attribuées, à l'exclusion des abstentions, votes blancs et votes non valides, à moins que des dispositions statutaires correspondantes (ce qui n'est actuellement pas le cas) ou des dispositions légales impératives ne stipulent autre chose. En vertu de l'article 704 du Code suisse des obligations, certaines décisions importantes ne peuvent être prises que si elles recueillent les deux tiers des voix attribuées aux actions représentées et la majorité absolue des valeurs nominales représentées. Sont entre autres concernées la modification du but social ou du siège social de la société, la dissolution de la société et les questions ayant trait aux augmentations de capital. En cas d'égalité des voix, la voix du président du Conseil d'administration est déterminante.

Convocation des Assemblées d'actionnaires

Les Assemblées d'actionnaires sont convoquées par le Conseil d'administration ou, si nécessaire, par les auditeurs ou d'autres organes conformément aux articles 699 et 700 du Code suisse des obligations. Les actionnaires avec droit de vote qui représentent ensemble au moins 10% du capital-actions peuvent convoquer une Assemblée générale en indiquant les points à l'ordre du jour et les propositions correspondantes. La convocation est envoyée aux actionnaires par courrier au moins 20 jours civils avant l'Assemblée et est en outre publiée dans la Feuille officielle suisse du commerce et dans plusieurs journaux.

Ordre du jour

Le Conseil d'administration prépare l'ordre du jour et l'envoie aux actionnaires. Les actionnaires avec droit de vote représentant collectivement des actions d'une valeur nominale d'au moins 10 000 CHF peuvent demander par écrit, au plus tard 45 jours avant la date de l'Assemblée, que des propositions spécifiques soient inscrites à l'ordre du jour.

Inscriptions au registre des actions

Dans le but d'assurer une procédure en ordre, le Conseil d'administration fixe, peu avant l'Assemblée générale, la date à laquelle un actionnaire doit être inscrit au registre des actions afin d'exercer ses droits de participation lors de l'Assemblée générale. Cette date est publiée, avec la convocation à l'Assemblée générale, dans la Feuille officielle suisse du commerce et dans plusieurs journaux.

Politique d'information

Au 31 décembre 2013, Zurich Insurance Group SA comptait environ 128 000 actionnaires inscrits au registre des actions, allant de particuliers à de gros investisseurs institutionnels (cf. page 363). Chaque actionnaire inscrit reçoit une invitation à l'Assemblée des actionnaires. La Lettre aux actionnaires fournit un récapitulatif des activités du Groupe tout au long de l'exercice et donne un aperçu de sa performance financière. Un Compte rendu des activités plus détaillé, le Rapport de gestion et les rapports semestriels sont disponibles sur le site internet www.zurich.com (http://www.zurich.com/investors/shareholderinformation/). Les versions imprimées sont disponibles sur demande. Les actionnaires ont également accès aux informations sur la présentation des résultats trimestriels sur le site internet de Zurich.

Zurich Insurance Group SA entretient un dialogue régulier avec ses investisseurs par le biais de son service Investor Relations et répond aux questions et requêtes soumises par les actionnaires institutionnels et privés. Zurich Insurance Group SA organise par ailleurs des journées portes ouvertes pour les investisseurs institutionnels et les analystes, à l'occasion desquelles leur sont communiquées des informations exhaustives sur les activités et les orientations stratégiques de la société. Ces présentations peuvent être suivies par webcast ou par conférence téléphonique. La journée des investisseurs organisée à Zurich le 5 décembre 2013 était consacrée à la stratégie et aux objectifs fixés pour la période 2014–2016 et à la réalisation des objectifs définis en 2010–2013. Une autre journée des investisseurs est programmée pour 2014. Un large éventail d'informations relatives au Groupe et à ses activités, incluant les présentations des résultats susmentionnées et la documentation complète à disposition pour la journée des investisseurs, sont également disponibles à la rubrique «Investor Relations» du site internet de Zurich, www.zurich.com (http://www.zurich.com/investors).

La prochaine Assemblée générale ordinaire de Zurich Insurance Group SA se tiendra le 2 avril 2014. Elle se déroulera au Hallenstadion de Zurich-Oerlikon. Une convocation, à laquelle sera joint l'ordre du jour et le détail des résolutions proposées, sera envoyée aux actionnaires au moins 20 jours avant l'Assemblée.

Pour connaître les adresses et les autres événements importants à venir, veuillez consulter les Informations aux actionnaires à la page 362 (Calendrier financier à la page 364).

Collaborateurs

Le Groupe s'engage à offrir des chances égales lors du processus de recrutement et de promotion. Il prend ses décisions selon des critères de compétence, d'expérience, de qualification, de connaissance, d'intégrité et de diversité. Le Groupe encourage activement ses collaborateurs à s'impliquer dans ses activités en prenant connaissance des publications imprimées et en ligne, en assistant aux réunions d'information et aux réunions périodiques avec les représentants des collaborateurs. En plus, le Groupe a conclu un accord volontaire avec les représentants du personnel des sociétés du Groupe en Europe. Pour en savoir davantage sur les activités de gestion des collaborateurs du Groupe, veuillez consulter ce Rapport de gestion à partir de la page 20.

Dans certains pays, le Groupe a établi des systèmes de rémunération en actions et des programmes d'incitation à grande échelle pour encourager les collaborateurs à devenir actionnaires du Groupe.

Prises de contrôle et mesures de défense

Obligation de présenter une offre

Les statuts de Zurich Insurance Group SA ne prévoient pas de clauses d'opting-out ou d'opting-up au sens des articles 22 et 32 de la loi fédérale sur les bourses et le commerce des valeurs mobilières. En conséquence, des offres fermes doivent être soumises lorsqu'un actionnaire ou un groupe d'actionnaires agissant conjointement dépasse 33 ⅓ pour cent du capital-actions émis et en circulation de Zurich Insurance Group SA.

Clauses relatives aux prises de contrôle

Des contrats de travail ont été conclus avec les membres du GEC afin de fixer les termes et conditions de leur emploi. Le plus long délai de préavis pour les membres du GEC est de douze mois. Aucune indemnité complémentaire n'est attribuée en cas de prise de contrôle.

Les programmes de rémunération en actions du Groupe incluent des règlements concernant l'impact des prises de contrôle. Ces règlements prévoient qu'en cas de prise de contrôle, l'administrateur du plan (le Comité de rémunération ou le CEO, selon le cas) a le droit de faire convertir les obligations d'actions sortantes en nouveaux droits à actions ou d'offrir une contrepartie pour les obligations qui ne sont pas converties. Les participants qui perdent leur emploi à la suite d'une prise de contrôle ont droit à la dévolution des droits liés à leurs actions. Aucune autre indemnité n'est attribuée aux cadres supérieurs du Groupe en cas de prise de contrôle.

Aucune indemnité n'est prévue pour les membres du Conseil d'administration en cas de prise de contrôle.

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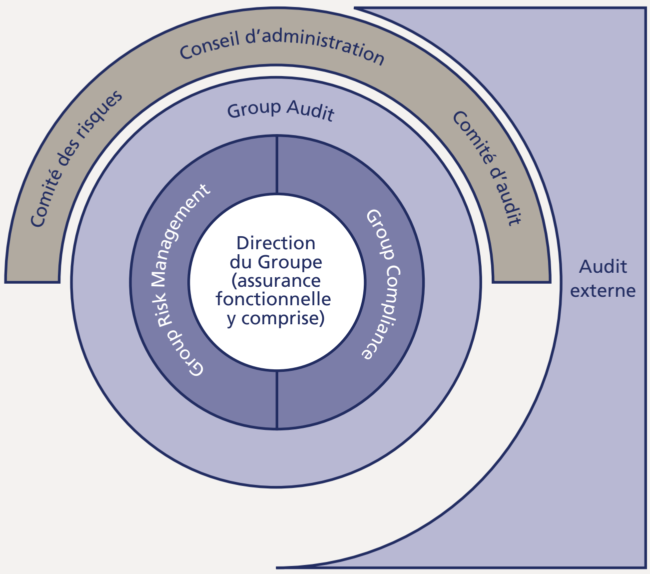
Activités d'audit et compliance de Zurich Insurance Group

Chez Zurich, diverses fonctions de gouvernance et de contrôle se coordonnent pour veiller à ce que les risques soient identifiés et dûment gérés. Des contrôles internes sont mis en place et fonctionnent de façon efficace. Le concept d'«évaluation et certification intégrées» fait référence à cette coordination. Le Conseil d'administration est responsable en dernier ressort de la supervision de ces activités de certification. Même si chaque certificateur conserve un mandat et une responsabilité propres, les certificateurs ont un fonctionnement similaire et coopèrent les uns avec les autres. Plus précisément, ils échangent régulièrement des informations et s'informent mutuellement de leurs projets et d'autres activités. Ce mode de fonctionnement permet à la Direction d'assumer plus aisément ses responsabilités et garantit le traitement des risques et la mise en œuvre de mesures adéquates pour les réduire.

Activités d'audit et compliance de Zurich Insurance Group
au 31 décembre 2013



Direction du Groupe:
La direction du Groupe est propriétaire des processus, contrôles et examens techniques liés aux activités d'audit et compliance. Cela inclut et est renforcé par le travail d'assurance fourni par les fonctions de contrôle de la Direction (p.ex., souscription, actuariat, sinistres) et les fonctions juridique et financière.

Surveillance:
Group Risk Management gère le cadre de gestion des risques des entreprises de Zurich. Le Chief Risk Officer rend régulièrement compte des questions de risque au CEO, aux comités de la haute Direction ainsi qu'au Comité des risques du Conseil d'administration.

Group Compliance a pour mission de garantir à la Direction que les risques de compliance dans le cadre de son mandat sont correctement identifiés et gérés. Le Group Compliance Officer remet régulièrement des rapports au Comité d'audit. Il fait également remonter des informations au président du Comité d'audit et dispose d'un accès approprié au président du Conseil d'administration.

Assurance indépendante:
Group Audit réalise l'audit de la gestion des risques, du contrôle des risques et des processus de gouvernance. Le Head of Group Audit rencontre régulièrement le président du Conseil d'administration et le président du Comité d'audit, et assiste à toutes les réunions du Comité d'audit.

Les auditeurs externes réalisent l'audit des états financiers du Groupe et vérifient que Zurich satisfait aux exigences réglementaires spécifiques. Le Comité d'audit rencontre régulièrement les auditeurs externes.

Conseil d'administration – Comité d'audit et Comité des risques:
Le Conseil d'administration est la plus haute instance de surveillance des activités d'assurance. Les comités d'audit et des risques reçoivent régulièrement, tout au long de l'année, des informations mises à jour de la part de Group Risk Management, Group Audit, des auditeurs externes et de Group Compliance.

Auditeurs externes

Durée du mandat et durée de la fonction de l'auditeur mandaté

PricewaterhouseCoopers SA (PwC), Birchstrasse 160, 8050 Zurich, est l'auditeur externe de Zurich Insurance Group SA.

PwC assume toutes les fonctions d'audit requises par la loi et par les statuts de Zurich Insurance Group SA. Les auditeurs externes sont désignés pour une année par les actionnaires de Zurich Insurance Group SA. Lors de l'Assemblée générale ordinaire du 4 avril 2013, PwC a été réélue par les actionnaires de Zurich Insurance Group SA. Le Conseil d'administration propose la reconduction du mandat d'auditeur externe de PwC pour l'exercice 2014 lors de l'Assemblée générale ordinaire du 2 avril 2014. PwC répond à toutes les exigences de la loi fédérale sur l'agrément et la surveillance des réviseurs et a été agréée au titre de société d'audit par l'Autorité fédérale de surveillance en matière de révision.

PwC et ses prédécesseurs, Coopers&Lybrand et Société Fiduciaire Suisse SA, sont/ont été auditeurs externes de Zurich Insurance Group SA et des organisations qui l'ont précédée depuis le 11 mai 1983. En 2000 et en 2007, le Groupe a lancé des appels d'offres invitant tous les grands cabinets d'audit à soumettre leurs programmes de travail et leurs offres. Après un examen approfondi des dossiers, en 2000 comme en 2007, le Groupe est parvenu à la conclusion que le programme de travail de PwC et son offre étaient supérieurs aux autres. Il a donc proposé la réélection de PwC.

M. Richard Burger, de PwC, a exercé la fonction d'auditeur principal du début de 2011 à la fin de l'exercice 2013. Il est l'auditeur mandaté pour les travaux statutaires et réglementaires depuis 2008. Le Groupe exige la rotation des auditeurs principaux après cinq ans au service de Zurich suivis d'un délai d'attente de deux ans minimum. M. Stephen O'Hearn, en tant que Global Relationship Partner, a cosigné le rapport d'audit pour l'exercice 2013.

Honoraires d'audit

Le total des honoraires (frais divers et TVA compris) facturés par PwC en 2013 s'élève à 46,6 millions d'USD (43,9 millions d'USD en 2012).

Honoraires additionnels

Le total des honoraires (frais divers et TVA compris) facturés en 2013 pour les services additionnels (p. ex. conseils et services fiscaux, conseils de contrôle interne, services de conseil en transactions ou audits spéciaux requis par la législation locale ou les instances de régulation) fournis par PwC et les parties associées pour le compte de Zurich Insurance Group SA ou pour l'une des sociétés du Groupe s'élève à 14,9 millions d'USD (6,4 millions d'USD en 2012). Le détail des honoraires additionnels figure dans le tableau ci-dessous.

Montant des honoraires d'audit et additionnels

en millions d'USD, au 31 décembre	2013	2012
Total des honoraires d'audit	**46,6**	**43,9**
Total des honoraires additionnels	**14,9**	**6,4**
– Conseils fiscaux	0,3	0,8
– Conseils juridiques	0,1	0,0
– Conseils sur les transactions et la due diligence requise	0,1	0,1
– Conseils relatifs aux audits	4,7	4,0
– Autres	9,7	1,5

Supervision et contrôle du processus d'audit externe

Le Comité d'audit rencontre régulièrement les auditeurs externes, au moins quatre fois par an. En 2013, le Comité d'audit a rencontré dix fois les auditeurs externes. Les auditeurs externes ont des sessions privées régulières avec le Comité d'audit, sans la présence de la Direction générale. Sur la base de rapports écrits, le Comité d'audit discute avec les auditeurs externes de la qualité des fonctions des finances et de la comptabilité du Groupe et de toutes les recommandations que les auditeurs externes pourraient soumettre. Les sujets traités au cours de ces discussions incluent le renforcement des contrôles financiers internes, les normes comptables applicables et les systèmes d'établissement de rapports à l'attention de la Direction générale. Dans le cadre de l'audit, le Comité d'audit obtient des auditeurs externes, dans des délais raisonnables, un rapport sur les états financiers révisés de Zurich Insurance Group SA et du Groupe.

Le Comité d'audit supervise le travail des auditeurs externes. Il vérifie, au moins une fois par an, la qualification, la performance et l'indépendance des auditeurs externes et examine tous les aspects pouvant altérer leur objectivité et leur indépendance sur la base d'un rapport écrit des auditeurs externes qui décrit les procédures internes du contrôle de la

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qualité, tous les problèmes importants rencontrés et toutes les relations entre les auditeurs externes et le Groupe et/ou ses collaborateurs pouvant être considérées comme ayant une influence sur l'indépendance des auditeurs externes. Le Comité d'audit évalue la collaboration avec les auditeurs externes durant leur examen d'audit. Il recueille les commentaires de la Direction générale concernant la performance (en fonction de critères tels que la compréhension des activités de Zurich, les connaissances techniques et l'expertise, etc.) et la qualité de la relation de travail (réceptivité des auditeurs externes aux besoins de Zurich Insurance Group SA et du Groupe, clarté de la communication). Le Comité d'audit examine, avant le début de l'audit annuel, l'ampleur et l'étendue générale des activités des auditeurs externes et suggère les domaines devant faire l'objet d'une attention particulière.

Le Comité d'audit propose les auditeurs externes au Conseil d'administration pour nomination par les actionnaires et est responsable de l'approbation des honoraires d'audit. Une proposition d'honoraires pour les services d'audit est soumise par les auditeurs externes et validée par la Direction générale avant d'être soumise à l'approbation du Comité d'audit. La proposition est basée principalement sur une analyse des unités de communication de l'information financière existantes et des changements attendus dans la structure juridique et opérationnelle durant l'année.

Le Comité d'audit a approuvé un règlement écrit sur le recours aux auditeurs externes pour des services ne relevant pas de l'audit et qui expose les règles relatives à la prestation de tels services et les questions y afférentes (ainsi qu'une liste de services prohibés). Les services admissibles, ne relevant pas de l'audit, peuvent inclure les conseils fiscaux, les lettres d'accord (comfort letters) et les lettres de consentement (consent letters), les certifications et attestations, le soutien en matière d'audit ou de due diligence dans certaines transactions, dans la mesure où de telles activités répondent aux exigences légales et réglementaires applicables et ne compromettent pas leur indépendance ou objectivité en tant qu'auditeur externe. Afin d'éviter les conflits d'intérêts, tous les services admissibles ne relevant pas de l'audit doivent être approuvés au préalable par le Comité d'audit (président), le Group Chief Financial Officer, le Group Controller ou le CFO local, selon le niveau d'honoraires prévisible. Ce règlement exige également, entre autres choses, une lettre de mission qui spécifie les services devant être fournis.

Group Audit

La fonction d'audit interne du Groupe («Group Audit») a pour but de fournir des gages d'indépendance et d'objectivité au Conseil d'administration, au Comité d'audit, au CEO, à la Direction générale et aux conseils d'administration et Comités d'audit des filiales. Pour ce faire, l'auditeur interne élabore un plan en fonction des risques, lequel est mis à jour au fur et à mesure que l'activité commerciale évolue. Ce plan couvre l'intégralité des risques économiques, dont les préoccupations et problèmes soulevés par le Comité d'audit, la Direction générale et d'autres parties prenantes. Group Audit met en œuvre le plan conformément aux règles d'exécution définies, lesquelles incorporent et observent les Normes internationales pour la pratique professionnelle de l'audit interne, édictées par l'Institute of Internal Auditors (IIA). Les questions essentielles décelées par Group Audit sont communiquées à la fonction de gestion responsable, au CEO et au Comité d'audit à l'aide d'une série d'outils de communication de l'information financière.

Le Comité d'audit, les conseils d'administration et Comités d'audit des filiales et le CEO sont régulièrement informés des constatations importantes de l'audit, y compris des mauvaises opinions, des actions correctrices engagées et de l'attention accordée par la Direction générale. Group Audit est tenu de s'assurer que les problèmes pouvant avoir un impact sur le fonctionnement du Groupe sont portés à l'attention du Comité d'audit et aux niveaux de direction appropriés, et que les mesures requises sont prises dans des délais raisonnables. Pour faciliter l'exécution de cette tâche, le Head of Group Audit assiste à toutes les réunions du Comité d'audit.

Group Audit est autorisé à examiner tous les secteurs du Groupe et dispose d'un accès illimité à toutes les activités, comptes, dossiers, biens et collaborateurs du Groupe nécessaires à l'accomplissement de son travail. Dans le cadre de sa mission, Group Audit tient compte du travail exécuté par d'autres fonctions de contrôle. Group Audit coordonne notamment ses activités avec les auditeurs externes, en partageant l'évaluation des risques, les plans de travail, les rapports d'audit et les mises à jour sur les actions d'audit. Group Audit et les auditeurs externes se rencontrent régulièrement à tous les niveaux de l'organisation pour optimiser l'efficacité et les garanties.

Le Comité d'audit évalue l'indépendance de Group Audit et examine ses activités, ses plans, son organisation et la qualité de son travail, ainsi que la coopération mutuelle avec les auditeurs externes. La fonction d'audit interne doit faire l'objet de contrôles qualité à intervalles réguliers conformément aux exigences des organismes professionnels et réglementaires en matière d'assurance de la qualité mais au moins tous les cinq ans par un organisme accrédité indépendant. Cet examen a été réalisé pour la dernière fois en 2011. Les résultats ont confirmé que les pratiques de Group Audit satisfont aux normes de l'Institute of Internal Auditors (IIA) et aux exigences de la FINMA et que Group Audit est considéré comme une fonction d'audit interne très avancée.

Le Comité d'audit approuve chaque année le plan de Group Audit et examine au moins tous les trois mois les rapports de la fonction sur ses activités, ainsi que les questions importantes en lien avec les risques, le contrôle et la gouvernance. Le Head of Group Audit établit ses rapports fonctionnels à l'attention du Comité d'audit et ses rapports administratifs à l'attention du CEO. Il rencontre régulièrement le président du Conseil d'administration et le président du Comité d'audit. Group Audit n'a pas de responsabilité opérationnelle dans les domaines audités et, dans un souci d'indépendance, tout le personnel de Group Audit est placé sous l'autorité du Head of Group Audit (par l'intermédiaire des responsables d'audit).

Group Compliance

Les valeurs centrales du Groupe sont fondées sur le principe du respect de la loi et sur le souci de faire ce qui est juste. Une compliance saine dans toutes les activités du Groupe contribue à protéger la réputation de Zurich et promeut la réalisation des objectifs ambitieux du Groupe.

La fonction compliance fournit des règlements et des directives, prodigue des conseils de gestion, dispense des formations et s'assure de l'exécution de contrôles de compliance appropriés dans le cadre de son mandat. Ces contrôles de compliance comprennent des examens permanents des lois, des réglementations et des autres exigences à tous les niveaux de l'organisation. La fonction compliance assiste la Direction générale de Zurich à entretenir et à promouvoir une culture de compliance et une éthique fidèles aux Zurich Basics, le code de conduite de notre société. Ce cadre robuste de compliance repose sur une évaluation continue des risques de compliance au niveau mondial pour promouvoir un solide régime de surveillance. Les résultats de cette évaluation étayent la planification stratégique de la fonction compliance, qui est conduite en consultation avec des partenaires commerciaux. Le plan de Compliance est présenté chaque année au Comité d'audit.

Dans le cadre d'un programme complet, la fonction compliance met en place, intègre et applique des règlements et directives internes. Nos spécialistes de la compliance, qui en font partie, présentent les règles en vigueur aux nouveaux collaborateurs et participent à l'intégration des sociétés nouvellement acquises. Pour mieux comprendre leurs responsabilités en vertu des Zurich Basics et des règlements internes, tous les collaborateurs suivent une formation régulière en matière d'éthique et de compliance. La fonction Group Compliance pilote en outre des campagnes internes de sensibilisation aux pratiques éthiques et réglementaires. Chaque année, les cadres de Zurich confirment qu'ils comprennent les Zurich Basics ainsi que les règlements internes et qu'ils les observent. Zurich encourage ses collaborateurs à s'exprimer et à faire part des comportements incorrects par le biais, notamment, de la Zurich Ethics Line, un service téléphonique et Internet. Zurich ne tolère pas les représailles à l'encontre de collaborateurs qui signalent en toute bonne foi de tels problèmes.

La fonction Group Compliance, assumée par des professionnels de la compliance répartis aux quatre coins du globe, est supervisée par le Group Compliance Officer, qui relève du Group General Counsel et remet aussi régulièrement des rapports au Comité d'audit. Le Group Compliance Officer remet aussi des comptes rendus au président du Comité d'audit et s'entretient régulièrement avec le président du Conseil d'administration.

Déclaration de gestion des risques et de contrôle interne

Le Conseil d'administration est chargé de superviser les systèmes de gestion des risques et de contrôle interne du Groupe, placés sous la responsabilité de la Direction générale. Les systèmes sont conçus davantage pour gérer que pour éliminer les risques de non-réalisation des objectifs commerciaux, et ne sauraient constituer une protection absolue contre des informations erronées ou des pertes financières importantes. Au niveau du Conseil d'administration, deux comités ont la responsabilité première de superviser la gestion des risques et le contrôle interne:

- le Comité des risques, qui supervise la gestion des risques, et
- le Comité d'audit, qui supervise les questions relatives au contrôle interne.

Le Groupe a adopté une approche coordonnée et formelle de la gestion des risques et du contrôle interne. Les systèmes et règlements essentiels de gestion des risques et de contrôle interne du Groupe sont institués au niveau du Groupe et mis en œuvre à l'échelle du Groupe. Cette approche se concentre principalement sur les risques majeurs susceptibles d'avoir un impact sur la réalisation des objectifs commerciaux du Groupe ainsi que sur les activités permettant d'encadrer et de surveiller ces risques, permettant ainsi de contribuer à l'efficacité du contrôle. Un environnement conscient des risques et du contrôle nécessaire est ainsi favorisé au sein du Groupe et renforcé par la communication et par la formation.

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Une gestion efficace des risques est déterminante pour bien gérer les activités. La Direction générale est responsable de l'identification, de l'évaluation et de la gestion des risques significatifs. Le Groupe gère les risques dans toute l'organisation, sous la supervision de la Direction générale. Zurich s'est dotée d'une politique de gestion des risques à l'échelle du Groupe ainsi que de méthodes et d'outils communs d'évaluation et de modélisation des risques. Les processus d'évaluation des risques du Groupe sont alignés sur le processus de planification du Groupe et sont examinés par le Comité exécutif du Groupe et le Comité des risques du Conseil d'administration. Les risques significatifs, les résultats des processus d'évaluation et de modélisation ainsi que les actions importantes en résultant font l'objet de rapports réguliers à l'intention du Comité des risques du Conseil d'administration. Des évaluations locales périodiques des risques sont réalisées à l'aide de l'outil Total Risk Profiling™ de Zurich et les unités opérationnelles sont tenues, au moins une fois par trimestre, d'examiner les principaux risques et de mettre en œuvre des plans d'action visant à les atténuer. Des informations complémentaires sont fournies au chapitre Risk Review du Rapport de gestion.

La Direction locale, avec à sa tête le CEO de l'entité juridique, est chargée de maintenir des contrôles adéquats et de veiller à ce que les risques soient dûment identifiés et maîtrisés. Elle rencontre régulièrement les fonctions de gestion des risques et autres fonctions d'assurance afin de garantir l'efficacité du système d'identification et d'atténuation des risques et la pertinence des contrôles internes. En outre, un examen régulier des rapports établis par la fonction de gestion des risques et d'autres fonctions d'assurance est effectué par (1) les Conseils d'administration des filiales ou les comités d'audit des Conseils d'administration des filiales et également par (2) les comités régionaux de supervision en charge des filiales en Amérique latine, en Asie-Pacifique, au Moyen-Orient et dans certains pays d'Europe. Les comités d'audit des Conseils d'administration des filiales sont composés d'administrateurs des entités juridiques concernées, y compris, dans certains cas, d'administrateurs indépendants sans pouvoir exécutif. Les certificateurs sont également conviés à participer. Les résultats de ces révisions sont communiqués au CEO du Groupe, au Comité des risques, au Comité d'audit et au Conseil d'administration, le cas échéant.

Le système de contrôle interne se concentre sur les principaux contrôles liés aux opérations, à la compliance et à la communication de l'information financière. Le système englobe les règlements, les processus et les activités qui contribuent à la fiabilité des rapports financiers, à l'efficacité et à l'efficience des opérations ainsi qu'au respect des lois et des règlements. Le plan d'affaires annuel du Groupe inclut des considérations relatives à la gestion des risques, ainsi que des orientations stratégiques et commerciales, des informations financières et des indicateurs clés. En cours d'exercice, le Conseil d'administration, le Comité des risques, le Comité d'audit et la Direction générale du Groupe reçoivent régulièrement des rapports résumant les conditions financières, la performance financière et opérationnelle comparée au plan, de même que les principales expositions aux risques.

Les processus et contrôles au sein de l'organisation sont soumis à des examens axés sur les risques par la Direction générale et les fonctions Group Audit, Group Compliance et Group Risk Management. Ces examens incluent la mise en œuvre effective de règlements et de procédures portant sur les sinistres, les placements, la souscription, la pratique actuarielle, la trésorerie, la comptabilité et la communication de l'information financière, ainsi que sur l'efficacité du contrôle pour les activités importantes et les systèmes de technologies de l'information. Le Conseil d'administration et ses comités d'audit et des risques reçoivent des rapports réguliers et, si nécessaire, des rapports spéciaux du Chief Risk Officer, du Group General Counsel, du Head of Group Compliance, du Group Chief Financial Officer and Group Controller, du Head of Group Audit et des cadres supérieurs des divisions financières et commerciales. Par ailleurs, les auditeurs externes font régulièrement part de leurs conclusions, observations et recommandations résultant de leur processus d'audit indépendant.

Les rapports traitent de sujets tels que: (a) les changements significatifs au niveau des risques, de l'environnement économique et de l'environnement externe; (b) la surveillance des risques et de l'efficacité des systèmes de contrôle par la Direction; (c) la communication en matière de risque et de contrôle; (d) les problèmes majeurs de contrôle, le cas échéant, et (e) l'efficacité du processus externe de reddition de comptes du Groupe.

Le Comité des risques a examiné l’efficacité du système de gestion des risques du Groupe, y compris la tolérance au risque du Groupe et le cadre de gouvernance des risques à l’échelle du Groupe. Le Comité d’audit a examiné l’efficacité du système de contrôle interne pratiqué par le Groupe pour l’année civile 2013 jusqu’à la date d’impression du Rapport de gestion. Les deux comités ont présenté leurs conclusions au Conseil d’administration. Le Conseil d’administration est satisfait que les examens réalisés par son Comité d’audit et son Comité des risques aient été menés conformément aux directives sur le contrôle interne «Internal Control: Revised Guidance to Directors on the UK Corporate Governance Code» (connues autrefois sous l’appellation «Turnbull Guidance» et révisées en octobre 2005). L’évaluation a intégré l’étude de l’efficacité du processus engagé par le Groupe afin d’identifier, d’évaluer, de contrôler et de gérer les risques inhérents à l’activité, y compris l’étendue et la fréquence des rapports sur la gestion des risques et le contrôle interne reçus et examinés durant l’année par les comités des risques et d’audit et par le Conseil d’administration, de même que les questions importantes relatives aux risques et au contrôle qui ont été évoquées et les mesures correspondantes prises par la Direction générale. Les problèmes identifiés ont été communiqués au Conseil d’administration. Ils ont été traités ou sont en cours de traitement par le Groupe.

Les opérations liées à l’alliance à long terme conclue avec Banco Santander en 2011 continuent d’adopter les éléments importants du cadre de gestion des risques de Zurich et de s’appuyer sur leur système de contrôle interne actuel tout en appliquant le système de contrôle interne de Zurich.

Continuité de l’exploitation

Après avoir examiné la performance du Groupe et les prévisions pour l’année à venir, les membres du Conseil d’administration considèrent que le Groupe dispose des ressources adéquates pour poursuivre ses activités dans un futur prévisible. Pour cette raison, les administrateurs ont adopté le principe de continuité de l’exploitation pour la préparation des Consolidated financial statements.

Rapport sur les rémunérations

Le Rapport sur les rémunérations décrit les principes et le cadre de gouvernance en matière de rémunération des membres du Conseil d'administration, du Comité exécutif du Groupe et de l'ensemble des collaborateurs. Il fournit également des détails sur chaque élément de rémunération et rend compte des travaux du Comité de rémunération.

En 2013, le Conseil d'administration a continué de superviser et de prendre des décisions sur l'élaboration et la mise en œuvre des principes, des règles et de la structure de rémunération, lesquels reflètent les meilleures pratiques internationales en termes de gouvernance, de planification et de transparence. La structure de rémunération du Groupe est simple, transparente et compétitive sur le marché. Elle promeut une culture de haute performance, est en adéquation avec nos principes de gestion de risque et est centrée sur le long terme pour les principaux preneurs de risques (Key Risk Takers). S'agissant des règles finales de l'ordonnance contre les rémunérations abusives, de nouveaux statuts sont soumis aux actionnaires pour approbation lors de l'Assemblée générale ordinaire 2014 et le premier vote de nature contraignante sur la rémunération des membres du Conseil d'administration et du Comité exécutif du Groupe aura lieu lors de l'Assemblée générale ordinaire 2015. Pendant l'exercice, le Conseil d'administration a étudié la conception et l'application du plan d'incitation à long terme (LTIP) inclus dans la rémunération des dirigeants afin d'assurer sa conformité avec la stratégie et les objectifs de la période de trois ans 2014–2016 présentés lors de la Journée des investisseurs en décembre 2013. Par conséquent, le LTIP sera modifié en 2014.

Sommaire

Résumé des rémunérations 2013

Le résumé ci-dessous fournit une vue d'ensemble des principaux aspects des rémunérations chez Zurich en 2013.

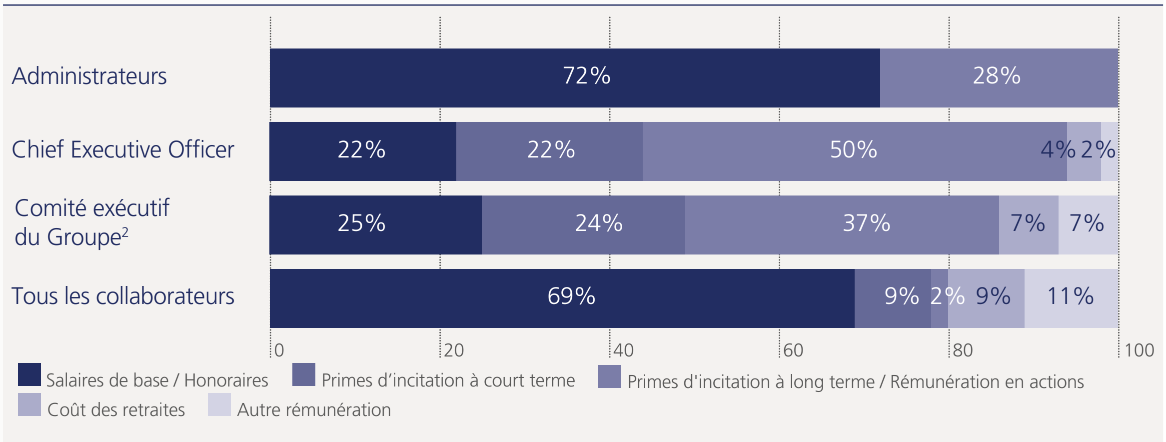
Gouvernance en matière de rémunération et philosophie
Le Conseil d'administration est responsable de la définition, de la mise en œuvre et de la surveillance de la structure de rémunération du Groupe. Il a créé un Comité de rémunération qui est chargé, entre autres, de proposer au Conseil d'administration sur une base annuelle la rémunération à verser aux membres du Conseil d'administration, au Chief Executive Officer (CEO) et aux autres membres du Comité exécutif du Groupe (GEC). Il évalue aussi la performance individuelle et celle de l'entreprise en liaison avec les primes d'incitation et propose une enveloppe de dépense globale pour la rémunération variable.

Zurich applique un système de rémunération équilibré et géré efficacement qui prend en compte les considérations de risques et offre des opportunités de rémunération compétitives capables d'attirer, de fidéliser et de motiver les collaborateurs, leur permettant ainsi de fournir une performance exceptionnelle. La rémunération totale de chaque collaborateur est influencée par des facteurs tels que l'étendue et la complexité du poste, la performance de la société et sa capacité financière, la performance individuelle, les comparaisons internes, la compétitivité externe, la zone géographique et les exigences légales. Les opportunités cibles sont comparées aux niveaux médians dans des marchés clairement définis et tiennent compte des structures internes. En fonction du poste, le marché de référence peut être mondial, régional ou local et reflète les pratiques soit du secteur de l'assurance, soit du secteur des services financiers ou encore de l'industrie dans son ensemble.

Vue d'ensemble des rémunérations
La rémunération totale inclut le salaire de base, les primes d'incitation à court et à long terme et les avantages du personnel. Les plans d'incitation à court et à long terme utilisés dans le cadre de la rémunération variable sont liés à des indicateurs de performance adéquats et l'enveloppe globale consacrée à la rémunération variable est déterminée en fonction de la performance économique du Groupe à long terme.

La rémunération variable est structurée de telle sorte qu'en moyenne, elle dépend davantage de la performance durable à long terme pour les collaborateurs du Groupe les plus haut placés, y compris les principaux preneurs de risques (Key Risk Takers). Cela garantit l'étalement dans le temps d'une part significative de la rémunération variable des preneurs de risques.

Structure de rémunération 2013 et pondération des éléments[1]



[1] Rémunération cible, en % de la rémunération totale.
[2] Y compris le Chief Executive Officer.

Gouvernance

Rapport sur les rémunérations *suite*

Rémunération 2013
La rémunération en 2013 a été déterminée dans un souci d'équilibre approprié entre l'ensemble des facteurs pertinents: performance de l'entreprise, considérations relatives au marché, exigences réglementaires, priorités générales à long terme, considérations relatives au risque, etc. En ce qui concerne la rémunération du Conseil d'administration, aucune modification n'a été apportée en 2013. En 2013, les changements dans la rémunération des membres du GEC, le cas échéant, visaient à accroître la partie à long terme de la rémunération variable, de sorte qu'au moins 60% de la rémunération variable soit différée et soumise aux conditions de performance à long terme. Plus généralement, les décisions en matière de rémunération des collaborateurs se sont efforcées de maintenir un équilibre entre, d'une part, la structure globale de rémunération et, d'autre part, les considérations relatives à la performance de l'entreprise, au marché, au risque et à la réglementation.

Pour 2013, les montants des rémunérations étaient les suivants:

Montants des rémunérations

en millions d'USD, pour les exercices arrêtés au 31 décembre	**Salaires de base / Honoraires**[1]	**Primes d'incitation à court terme**[2]	**Primes d'incitation à long terme**[3]	**Autre rémunération**[4]	**Rémunération totale 2013**[5]	Rémunération totale 2012[5]
Membres du Conseil d'administration	4,5	–	–	–	4,5	4,6
Comité exécutif du Groupe (GEC)	11,6	12,1	16,2	6,1	46,0	46,4
Tous les collaborateurs[6]	4 092	522,4	134,2	1 166,9	5 916	5 748

[1] Inclut la part versée en actions aux administrateurs.
[2] Pour tous les collaborateurs, cela équivaut aux primes en espèces octroyées dans l'année.
[3] Pour les membres du GEC et tous les autres collaborateurs, cela correspond à la valeur des attributions cible en 2013 dans le cadre du LTIP, qui mise sur des niveaux d'acquisition de 100% de l'objectif en 2014, 2015 et 2016. Comme il est décrit ci-dessous, l'acquisition effective du LTIP sur la période de performance de 2011–2013 était fixée à 50% de l'objectif.
[4] Inclut les autres avantages du personnel, les prestations de retraite et les autres coûts relatifs aux rémunérations.
[5] Montant réel, brut et, pour les montants en espèces, basé sur le principe de séparation des exercices.
[6] Les effectifs (équivalents temps plein) sont globalement restés stables en glissement annuel.

Les dépenses de rémunération doivent être rapportées au chiffre d'affaires, aux fonds propres et à la rentabilité de Zurich. Les principaux chiffres sont présentés dans le tableau ci-dessous et reflètent les données relatives aux exercices 2013 et 2012:

Chiffres financiers clés

en millions d'USD, pour les exercices arrêtés au 31 décembre	**2013**	2012[1]
Primes émises brutes et commissions[2]	57 659	56 822
Bénéfice d'exploitation	4 680	4 084
Bénéfice net attribuable aux actionnaires	4 028	3 887
Fonds propres attribuables aux actionnaires	32 503	31 718
Rendement des fonds propres ordinaires (ROE)	12,0%	11,8%
Dividendes versés aux actionnaires[3]	2 651	2 763
Enveloppe de rémunération variable totale avant impôts	668	608
– en pourcentage des primes émises brutes et commissions	1%	1%
– en pourcentage des fonds propres attribuables aux actionnaires	2%	2%

[1] Chiffres retraités au 31 décembre 2012 (cf. note 1 des Consolidated financial statements).
[2] Primes émises brutes et chargements de gestion de 54 849 USD et commissions de gestion de Farmers et autres produits assimilés de 2 810 USD.
[3] Dividende exprimé sur la base du taux de change en vigueur le jour de la transaction en 2013 et en 2012, respectivement.

Comme le montrent ces indicateurs, les dépenses de rémunération variable constituent des pourcentages relativement faibles par rapport au chiffre d'affaires et aux fonds propres attribuables aux actionnaires de Zurich. Pour fixer le montant de l'enveloppe globale de rémunération variable pour l'ensemble des collaborateurs (cf. pages 76 et 94), le Conseil d'administration examine, entre autres facteurs, la performance économique à long terme du Groupe. A cet égard, le Groupe a dégagé un bénéfice économique sur le long terme qui excède nettement le montant réel de l'enveloppe consacrée à la rémunération variable.

En ce qui concerne le plan d'incitation à court terme 2013 du Groupe (STIP du Groupe), l'augmentation globale de la rentabilité s'est traduite par un paiement moyen correspondant à 101% de l'objectif (contre 91% de l'objectif attribués au titre de 2012) pour les plus de 38 000 collaborateurs participant au Plan. S'agissant du plan d'incitation à long terme du Groupe (LTIP du Groupe), le Conseil d'administration a étudié les résultats dans le contexte de la performance et de la performance globale de la société au cours des trois années (2011 à 2013). Dans le cadre des efforts d'évaluation indépendante des mesures de la performance du LTIP à compter du 1er janvier 2014 et en reconnaissance du caractère général de cette pratique de marché, le Conseil d'administration a adopté cette méthode pour toutes les décisions d'acquisition du LTIP en 2014. Une acquisition correspondant à l'objectif a donc été réalisée au titre des résultats en matière de ROE et une moyenne de 11,9% par an a été obtenue sur les trois ans. Cependant, aucune acquisition n'a eu lieu au titre du rendement total pour les actionnaires (TSR) dont le résultat s'est inscrit dans le troisième quartile du groupe de pairs malgré un rendement cumulé positif de 28% calculé en francs suisses au cours des trois ans. Le niveau d'acquisition global a donc été défini à 50% de l'objectif d'attribution contre un niveau d'acquisition de 97% de l'objectif d'attribution arrêté l'année dernière au titre de la période de performance 2010 à 2012.

L'enveloppe globale de rémunération variable, qui s'élevait à 668 millions d'USD en 2013, inclut la valeur des actions attribuées en fonction de la performance cible dans le cadre du plan d'incitation à long terme du Groupe (LTIP du Groupe), soit 134,2 millions d'USD pour 2013, dans l'hypothèse d'un taux d'acquisition correspondant à 100% de l'objectif en 2014, 2015 et 2016. Comme il est décrit ci-dessus, le niveau d'acquisition sur la période de trois ans clôturée au 31 décembre 2013 correspondait à 50% de l'objectif, ce qui se traduit par une valeur réalisable effective de 62,1 millions d'USD sur la base du nombre d'actions acquises et du cours de clôture des actions de 258.50 CHF au 31 décembre 2013. Par conséquent, la rémunération variable totale effective sur la période clôturée au 31 décembre 2013 était inférieure de 72,1 millions d'USD à la valeur présentée dans le tableau ci-dessus.

Pour faire converger leurs intérêts avec ceux des actionnaires, les membres du Conseil d'administration et du Comité exécutif du Groupe (GEC) constituent leur participation au capital de la société. Au 31 décembre 2013, les administrateurs détenaient 42 531 actions et les membres du GEC 148 567 actions et 429 019 options. Il existe des directives sur la détention d'actions, qui sont abordées plus en détails en page 77. Pour satisfaire aux obligations des plans de rémunération en actions, Zurich a émis 603 099 nouvelles actions en 2013 et 914 301 nouvelles actions en 2012, occasionnant ainsi une dilution minimale pour les actionnaires. Vous trouverez des détails supplémentaires sur l'impact dilutif des plans de rémunération en actions en page 75.

Résumé des principaux aspects liés à la rémunération en 2013

Outre le contexte de rémunération et les résultats décrits ci-dessus, d'autres aspects majeurs pour l'exercice 2013 sont détaillés ci-dessous:

- Le système de rémunération tel que présenté dans le Rapport sur les rémunérations 2012 a été soumis à un vote consultatif non-contraignant des actionnaires à l'occasion de l'Assemblée générale ordinaire du 4 avril 2013, qui a recueilli 85,5% de voix favorables.

- Suite au départ de Josef Ackermann du Conseil d'administration et du Comité de rémunération le 29 août 2013, Tom de Swaan a rejoint le Comité de rémunération.

- Pendant l'exercice, le Conseil d'administration a étudié la compétitivité de la rémunération globale de ses membres et décidé qu'elle ne ferait l'objet d'aucun changement pour 2014.

- Pendant l'exercice, le Conseil d'administration a étudié la conception et l'application du plan d'incitation à long terme (LTIP) inclus dans la rémunération des dirigeants. Cet examen visait à vérifier que le LTIP i) tient compte des meilleures pratiques les plus récentes ainsi que de l'opinion des conseillers mandatés et des actionnaires, ii) permet la réalisation des objectifs stratégiques à plus long terme et l'offre de valeur aux actionnaires et iii) contribue à une performance durable et à attirer, retenir et motiver de talentueux dirigeants. Le Conseil d'administration en est arrivé à la conclusion qu'un certain nombre de changements étaient nécessaires pour que le LTIP satisfasse ces objectifs. De plus amples détails sur les changements qui seront effectués pour 2014 figurent aux pages 97 à 99.

- Le Conseil d'administration a étudié et analysé les règles finales incluses dans l'ordonnance contre les rémunérations abusives en vigueur depuis le 1er janvier 2014, qui transpose le nouvel art. 95 al. 3 de la Constitution fédérale suisse. Par conséquent, le Conseil d'administration présente une nouvelle série de statuts pour approbation lors de l'Assemblée générale ordinaire 2014. Le premier vote contraignant sur la rémunération des membres du Conseil d'administration et du Comité exécutif du Groupe aura lieu lors de l'Assemblée générale ordinaire, en avril 2015. Comme au cours des années précédentes, un vote consultatif sur le système de rémunération sera organisé en 2014 et la pratique de ces votes consultatifs sera maintenue à l'avenir.

Rapport sur les rémunérations *suite*

Rapport sur les rémunérations 2013

Structure du rapport

Ce Rapport sur les rémunérations fournit la totalité des informations définies dans le chapitre 5 de la Directive concernant les informations relatives à la Corporate Governance de la SIX Swiss Exchange (Directive SIX) et du Code suisse de bonne pratique pour le gouvernement d'entreprise («Code suisse de bonne pratique»), tels qu'amendés avec effet au 1er juillet 2009 et au 15 octobre 2007, respectivement. Il contient également toutes les informations requises au titre des articles 663b bis et 663c, alinéa 3, du Code suisse des obligations et de la circulaire 2010/1 sur les normes minimales des systèmes de rémunération dans les établissements financiers, émise par l'Autorité fédérale de surveillance des marchés financiers (circulaire de la FINMA sur les systèmes de rémunération) le 21 octobre 2009 et autres directives adoptées le 19 janvier 2011.

La structure du Rapport sur les rémunérations obéit aux exigences du Code suisse des obligations, de la Directive SIX, du Code suisse de bonne pratique et de la circulaire de la FINMA sur les systèmes de rémunération.

La première partie du rapport décrit les principes généraux et le cadre de la gouvernance et la seconde fournit des détails sur chacun des éléments de rémunération. Les membres du Conseil d'administration de Zurich Insurance Group SA sont indépendants et sans pouvoir exécutif, c'est pourquoi l'information est présentée avec les détails complets sur la rémunération du Conseil d'administration contenus dans une section. Les détails concernant le Comité exécutif du Groupe (GEC) figurent dans une section distincte, suivie d'une autre section consacrée aux informations requises par la circulaire de la FINMA sur les systèmes de rémunération pour l'ensemble des collaborateurs.

Toutes les informations requises par les articles 663b bis et 663c, alinéa 3, du Code suisse des obligations sont également intégrées dans les notes sur les états financiers de Zurich Insurance Group SA, société holding.

Toutes les autres informations qui doivent être publiées conformément à la directive SIX figurent dans le Rapport sur la gouvernance d'entreprise qui précède ce Rapport sur les rémunérations.

Gouvernance en matière de rémunération

Structure de rémunération

Le Conseil d'administration est responsable de la définition et de la mise en œuvre des principes et des règles de rémunération de Zurich (ensemble appelés les «règles de rémunération»). Pour l'aider dans cette mission, le Conseil d'administration a créé un Comité de rémunération. Le Comité de rémunération comprend quatre membres du Conseil d'administration, tous expérimentés dans le domaine des rémunérations. Le Comité de rémunération évalue chaque année la structure et les règles de rémunération et propose au Conseil d'administration les amendements qu'il juge nécessaires, le cas échéant.

Au cours de l'année 2013, une réunion conjointe a été organisée entre le Comité de rémunération et le Comité des risques, et ce afin de dresser un état des lieux des risques liés à la structure de rémunération et au cadre de gouvernance des rémunérations. Dans l'optique de cette réunion conjointe, la fonction Group Risk Management a évalué la structure de rémunération et a donné son appréciation sur la cohérence de la structure de rémunération avec une gestion des risques efficace. Elle a veillé à ce que la structure de rémunération n'encourage pas une prise de risque inconsidérée au regard du niveau de risque toléré par le Groupe. Sur la base des résultats de l'état des lieux des risques, le Conseil d'administration persiste dans son opinion – en tenant compte des modifications apportées au plan d'incitation à long terme en 2014 telles que décrites aux pages 97 à 99 – que la structure de rémunération est en accord avec la stratégie du Groupe et reflète les meilleures pratiques mondiales actuelles en termes de gouvernance, de planification et de transparence.

Un certain nombre de mesures ont été adoptées en 2013:

- D'autres réunions conjointes du Comité de rémunération et du Comité de gouvernance et des nominations ont eu lieu pour discuter de l'application de l'ordonnance contre les rémunérations abusives.

- La rémunération des fonctions de contrôle demeure structurée de façon à éviter les conflits d'intérêt, en s'assurant notamment que les primes octroyées à tous les collaborateurs des fonctions de contrôle soient calculées en fonction de la rentabilité du Groupe et non en fonction de la rentabilité de l'activité contrôlée par les fonctions en question.

- Dans le cadre du processus annuel visant à harmoniser la rémunération et la capacité de prise de risque du Groupe, la fonction Group Risk Management a consulté les autres fonctions de contrôle, de gouvernance et d'audit et compliance et a rédigé à l'intention du CEO un bilan des facteurs de risque à prendre en compte lors de l'évaluation de la performance globale en vue du financement des primes d'incitation. Le Chief Risk Officer est à la disposition du Comité de rémunération et du Conseil d'administration pour évoquer ces résultats. Entre autres facteurs, le CEO tient compte de l'évaluation réalisée par Group Risk Management au moment de présenter ses propositions de financement de primes à court et à long termes au Comité de rémunération, qui formule à son tour sa recommandation au Conseil d'administration pour approbation finale.

- Un examen des rémunérations effectué en 2013 a été l'occasion de vérifier tous les rôles des principaux preneurs de risques (Key Risk Takers, KRT). Le Groupe a décidé en conséquence d'augmenter le nombre de postes de KRT. Ces positions couvrent les trois segments d'activité General Insurance, Global Life et Farmers, ainsi que Group Operations et toutes les autres fonctions principales. En 2013, le processus et les critères d'identification des positions de Key Risk Takers ont été davantage clarifiés et documentés, et ce afin de faciliter également la réévaluation annuelle. Les critères sont basés sur des facteurs qui influencent de manière importante la prise de risque au sein du Groupe: gouvernance globale, consommation de capital pour chaque type de risque telle que déterminée par le modèle interne, stratégie et réputation. Les critères sont ensuite appliqués à ceux qui prennent ou à ceux qui contrôlent les risques spécifiques au niveau du Groupe où les risques sont les plus tangibles. Group Risk Management en particulier, ainsi que d'autres fonctions de contrôle et d'audit et compliance, fournissent des informations sur le risque et la compliance au sujet de chaque poste identifié comme Key Risk Taker dans le cadre de l'évaluation annuelle de la performance individuelle. Les modalités de rémunération pour les Key Risk Takers prévoient des plans d'incitation à court terme et à long terme, l'accent étant mis sur le long terme et donc sur la rémunération différée.

- Pour ce qui est de la mise en œuvre opérationnelle de la structure de rémunération dans l'ensemble du Groupe, Group Audit évalue régulièrement la mise en œuvre opérationnelle des règles de rémunération de Zurich. Aucun problème majeur n'a été identifié en 2013.

- La structure du STIP et du LTIP n'a fait l'objet d'aucun changement lors de l'examen des mesures de performance en 2013.

- Des informations sont également fournies ci-dessous sur l'impact dilutif de l'émission d'actions afin de satisfaire aux obligations des plans de rémunération en actions du Groupe. Pour remplir ses engagements en la matière, Zurich émet des nouvelles actions sur le capital conditionnel autorisé par les actionnaires ou bien distribue des actions Zurich rachetées sur le marché.

En 2013, la société a émis 603 099 actions (0,41% du capital sur la base de 148 300 123 actions enregistrées et ouvrant droit à dividende au 31 décembre 2012) pour satisfaire aux obligations d'actions qui découlent de l'acquisition des actions et de l'exercice des options d'achat d'actions pendant l'année (en 2012, 914 301 actions soit 0,62% du capital sur la base de 147 385 822 actions enregistrées et ouvrant droit à dividende au 31 décembre 2011).

Au 31 décembre 2013, le nombre total d'actions non acquises s'élevait à 878 129, représentant les titres mis en circulation en 2011, 2012 et 2013. Au vu du niveau d'acquisition de 50% en 2014 et en misant sur une acquisition à raison de 100% en 2015 et 2016, cela nécessiterait l'émission de 664 071 actions ou 0,45% du capital-actions sur la base de 148 903 222 actions enregistrées et ouvrant droit à dividende au 31 décembre 2013.

Au 31 décembre 2013, le nombre total d'options d'achat d'actions acquises mais non levées s'élevait à 1 763 618. Les prix d'exercice de ces options varient de 198.10 CHF à 355.75 CHF. Si toutes les options acquises susmentionnées étaient levées dans le futur, le nombre d'actions requises représenterait 1,18% du capital-actions sur la base de 148 903 222 actions enregistrées et ouvrant droit à dividende au 31 décembre 2013. Si seules les options actionnables au 31 décembre 2013 (cours de l'action de 258.50 CHF) étaient levées, le nombre d'actions requises serait de 174 732, soit 0,12% du capital-actions sur la base de 148 903 222 actions enregistrées et ouvrant droit à dividende au 31 décembre 2013.

Processus d'approbation des rémunérations

Conformément aux règles de rémunération, le Comité de rémunération est chargé de proposer chaque année au Conseil d'administration la rémunération à verser aux administrateurs, au CEO et aux autres membres du GEC. Pour les autres membres du GEC, ces recommandations sont basées sur les propositions faites par le CEO. Les propositions de rémunération doivent être approuvées par le Conseil d'administration.

Rapport sur les rémunérations *suite*

Le président du Conseil d'administration n'assiste pas aux réunions du Comité de rémunération et du Conseil d'administration consacrées à la fixation de sa rémunération. Lors de la prise de décisions sur la rémunération du CEO, celui-ci n'est pas présent. Lorsque des décisions sont prises sur la rémunération des autres membres du GEC, ces membres ne sont pas non plus présents aux réunions. Pour de plus amples détails sur les compétences du Comité de rémunération, veuillez vous reporter aux pages 49 à 50 du Rapport sur la gouvernance d'entreprise.

Le cadre d'approbation est décrit ci-dessous:

Dispositif d'approbation

Sujet	Recommandation de	Autorisation finale de
Structure de rémunération globale	Comité de rémunération et Comité des risques, selon les propositions formulées par le CEO	Conseil d'administration
Règles de rémunération	Pour les administrateurs: Comité de rémunération Pour tous les collaborateurs: Comité de rémunération, selon les propositions formulées par le CEO	Conseil d'administration
Rémunération à verser aux administrateurs (y compris le président et le vice-président)	Comité de rémunération	Conseil d'administration
Rémunération du CEO	Comité de rémunération	Conseil d'administration
Rémunération des membres du Comité exécutif du Groupe (hormis le CEO)	Comité de rémunération, selon les propositions formulées par le CEO	Conseil d'administration
Réserves de financement du plan d'incitation à court terme (STIP)	Comité de rémunération, selon les propositions formulées par le CEO en tenant compte de l'évaluation des risques par Group Risk Management	Conseil d'administration
Niveaux d'acquisition dans le cadre du plan d'incitation à long terme (LTIP)	Comité de rémunération, selon les propositions formulées par le CEO en tenant compte de l'évaluation des risques par Group Risk Management	Conseil d'administration

Par ailleurs, et conformément aux exigences de la circulaire de la FINMA sur les systèmes de rémunération, le Conseil d'administration approuve également le montant total de la rémunération variable pour l'année de performance à l'échelle du Groupe («enveloppe de rémunération variable totale») en tenant compte de la performance économique à long terme du Groupe. Pour de plus amples détails sur le calcul de l'enveloppe de rémunération variable totale, veuillez consulter la page 94.

Etudes comparatives et conseillers externes au Conseil d'administration

Des études comparatives sont menées régulièrement pour aider la prise de décisions sur la rémunération des membres du Conseil d'administration et du Comité exécutif du Groupe. Pour évaluer les pratiques du marché et les niveaux de rémunération du marché, les structures et les pratiques de rémunération des principaux acteurs du secteur de l'assurance sont analysées, avec comme référence les entreprises figurant dans l'indice Dow Jones Insurance Titans 30. Cet indice comprend les plus grandes compagnies d'assurances au monde, basées notamment en Europe et aux Etats-Unis. Cette analyse est dûment étayée par des études comparatives complémentaires, par exemple sur les pratiques en vigueur au sein de grands groupes du Swiss Market Index (SMI) en Suisse ou de groupes de taille comparable à l'étranger. L'échantillon d'entreprises concurrentes englobe des entreprises telles telles qu'Ace, AIG, Allianz, AXA, Aviva, Chubb, Generali, Manulife Financial Corp., Met Life, Munich Re, Prudential plc, Swiss Re et Travelers Cos. Inc. Le Comité de rémunération examine régulièrement cet échantillon d'entreprises.

Les résultats des études comparatives sont pris en compte dans la détermination des honoraires pour les membres du Conseil d'administration et des structures et niveaux de rémunération pour le CEO et les autres membres du GEC. Les pratiques du marché dans les différents pays et les comparaisons internes entre les postes sont prises en compte dans l'analyse des résultats. Le positionnement général des régimes de rémunération se situe à des niveaux médians.

Lors de la révision régulière des structures et des pratiques de rémunération, le Comité de rémunération et le Conseil d'administration reçoivent des conseils indépendants du cabinet de conseil Meridian Compensation Partners LLC (Meridian), spécialisé dans la rémunération des cadres supérieurs, ainsi que du cabinet Aon Hewitt, une filiale d'Aon Corporation (Aon Hewitt). Le Comité de rémunération examine les mandats et les honoraires, et évalue la performance régulière ou continue. Les deux cabinets, Meridian et Aon Hewitt, assurent des prestations de conseil auprès du Conseil d'administration, le consultant en chef étant un salarié de Meridian. Meridian ne fournit pas d'autres prestations de services au Groupe. Même si certains cabinets au sein d'Aon Hewitt – un grand groupe de ressources humaines et de courtage international – travaillent à l'occasion pour le Groupe, le Comité de rémunération considère que ces multiples prestations de services ne remettent pas en cause l'indépendance et l'intégrité des conseils prodigués par Aon Hewitt.

Dans ses activités, la Direction générale est épaulée par divers cabinets spécialisés dans le domaine de la rémunération des cadres supérieurs au niveau international.

Directives sur la détention d'actions par les administrateurs et les membres du Comité exécutif du Groupe
Pour faire converger les intérêts du Conseil d'administration et du GEC avec ceux des actionnaires, les administrateurs et les membres du GEC constituent leur participation au capital de la société et sont tenus d'atteindre un certain seuil de participation. Les directives sur la détention d'actions par les membres du Conseil d'administration ont été fixées à une fois les honoraires annuels de base. Pour les membres du GEC, les directives sur la détention d'actions en tenant compte des distributions acquises ont été fixées à 5 fois le salaire de base pour le CEO et à 2,5 fois le salaire de base pour les autres membres du GEC. Pour satisfaire à cette exigence, les administrateurs perçoivent une partie de leurs honoraires sous forme d'actions bloquées à la vente pendant trois ans et achètent des actions sur le marché. Dans le même but, les membres du GEC participent aux plans d'incitation à long terme et achètent des actions sur le marché. Les administrateurs, le CEO et les autres membres du GEC disposent d'un délai de cinq ans pour atteindre leur quota de participation au capital et le Comité de rémunération surveille chaque année le respect de ces directives.

Implication des actionnaires
Comme l'an passé, Zurich permettra aux actionnaires d'exprimer leur opinion sur la structure de rémunération via un vote consultatif lors de l'Assemblée générale ordinaire, qui aura lieu le 2 avril 2014. La décision finale en matière de rémunération relevant actuellement des compétences du Conseil d'administration, un tel vote ne saurait, de par sa nature, avoir un caractère contraignant.

En application des règles finales de l'ordonnance contre les rémunérations abusives, une nouvelle série de Statuts sera présentée aux actionnaires pour approbation lors de l'Assemblée générale 2014 et le premier vote contraignant des actionnaires à propos de la rémunération des membres du Conseil d'administration et du Comité exécutif du Groupe sera organisé en 2015.

La philosophie de rémunération

Membres du Conseil d'administration
Sachant que Zurich est une compagnie d'assurance mondiale, le niveau des honoraires des membres du Conseil d'administration a été déterminé de manière à garantir que le Groupe puisse attirer et retenir des personnes hautement qualifiées.

Le montant des honoraires est fixé pour chaque membre du Conseil d'administration de Zurich Insurance Group SA en fonction de son rôle dans le Conseil et de la structure d'honoraires décrite en page 84. Les honoraires de base sont versés en liquide et en actions; environ un tiers prend la forme d'actions de Zurich Insurance Group SA bloquées pendant trois ans.

Les honoraires versés aux administrateurs (y compris la partie versée sous forme d'actions bloquées) ne sont pas assujettis à des conditions spécifiques de performance.

Comité exécutif du Groupe et tous les autres collaborateurs
Pour les membres du GEC, y compris le CEO, et tous les autres collaborateurs du Groupe, un certain nombre d'éléments clés ont été mis en place pour garantir un programme de rémunération équilibré et géré efficacement. Ces éléments incluent une philosophie de rémunération valable pour l'ensemble du Groupe, de solides plans d'incitation à court terme et à long terme, une gouvernance efficace et des liens étroits avec la planification des activités et les politiques de risque du Groupe.

Rapport sur les rémunérations *suite*

Zurich s'engage à fournir des opportunités de rémunération totale concurrentielles qui attirent, retiennent, motivent les collaborateurs et récompensent leurs performances exceptionnelles. La philosophie de rémunération fait partie intégrante de l'offre globale proposée aux collaborateurs. Zurich a clairement défini le processus de gestion de la performance globale qui soutient la réalisation de la stratégie et des plans d'exploitation globaux et fait le lien entre la rémunération individuelle et la performance de la société et du collaborateur. Cela s'effectue par l'entremise du cadre de rémunération supervisé par le GEC, le Comité de rémunération et le Conseil d'administration lui-même.

Fondements de la philosophie de rémunération
Les fondements de la philosophie de rémunération tels qu'énoncés dans les règles de rémunération sont les suivants:

- La structure de rémunération du Groupe est simple, transparente et sa mise en œuvre est réaliste. Elle est orientée à long terme pour les personnes occupant des postes considérés de Key Risk Taker pour le Groupe.
- La structure et le niveau de la rémunération totale sont conformes à la politique du Groupe en matière de risque et à sa capacité de prise de risque.
- Le Groupe promeut une culture de l'excellence en différenciant la rémunération totale en fonction de la performance relative des activités et des collaborateurs.
- Le Groupe définit clairement la performance escomptée au moyen d'un système structuré de gestion de la performance, utilisé comme critère pour les décisions relatives à la rémunération.
- Le Groupe associe les éléments de rémunération variables à des facteurs clés de performance, tels que la performance du Groupe, de ses segments d'activité, de ses divisions et unités d'affaires et de ses fonctions, ainsi que les résultats individuels.
- Les plans d'incitation à court terme et à long terme utilisés dans le cadre de la rémunération variable sont liés à des indicateurs de performance absolue et relative adéquats et l'enveloppe globale consacrée à la rémunération variable est déterminée en fonction de la performance économique du Groupe à long terme.
- La structure des plans d'incitation à long terme associe la rémunération à l'évolution future de la performance et du risque en prévoyant des clauses de rémunération différée.
- Le Groupe offre à ses collaborateurs une série d'avantages en fonction des pratiques locales en vigueur, en tenant compte de la capacité de risque du Groupe en matière de financement des retraites et de placements.

Rémunération totale
La rémunération totale de chaque collaborateur est influencée par plusieurs facteurs tels que l'envergure et la complexité du poste, la performance de la société et sa capacité financière, la performance individuelle, les comparaisons internes, la compétitivité externe, la zone géographique et les exigences légales. Comme décrit précédemment aux pages 71 et 76, les opportunités cibles sont comparées aux niveaux médians dans des marchés clairement définis. La répartition de la rémunération entre salaire de base et part variable est aussi alignée sur les pratiques locales du marché et les structures internes. Zurich fait preuve de transparence quant au mode de définition des critères de récompense et aux processus décisionnels. La rémunération totale comprend les éléments suivants:

Éléments de la rémunération totale

Elément		Type	Description
Salaire de base		Part fixe en espèces	Rémunération fixe, déterminée par l'étendue et la complexité du poste. Se situe généralement dans une fourchette de 80% à 120% du salaire médian correspondant sur le marché
Rémunération variable	Primes d'incitation à court terme (STIP – 1 an)	Versements en espèces liés à la performance	Pour les cadres, les cadres dirigeants et un groupe plus large de collaborateurs: versement annuel. Performance mesurée à la lumière des résultats de la société et de l'atteinte des objectifs stratégiques. Primes allouées en fonction de la performance de la société et de celle du collaborateur
	Primes d'incitation à long terme (LTIP – 3 ans) Pour 2013 et les années précédentes	Actions liées à la performance	Pour un groupe défini de cadres et de dirigeants. Les primes cibles sont octroyées chaque année et chaque prime annuelle est répartie en 3 tranches équivalentes. La 1re tranche est évaluée en vue d'une acquisition dans l'année qui suit l'année de l'octroi de la prime; la 2e tranche pour l'année suivante et la 3e tranche pour l'année qui suit. L'acquisition est déterminée en fonction des performances relatives du Groupe, en termes de rendement total pour les actionnaires du Groupe (TSR[1]) et du rendement sur fonds propres ordinaires (ROE), au cours des trois années civiles précédant la date d'acquisition. La moitié des primes en actions acquises sont remises sous forme d'actions bloquées assujetties à un délai de vente de trois ans
Avantages du personnel		Avantages fixes	Avantages consentis au personnel selon les pratiques en vigueur au sein du marché local. Régimes de retraite à risque réduit conformément aux directives du Groupe. Avantages orientés vers la médiane

[1] La rentabilité totale pour l'actionnaire (TSR) correspond à la croissance en valeur d'un actionnariat en supposant que les dividendes et les distributions de capital sont réinvestis dans l'achat d'unités d'actions supplémentaires au prix de clôture en vigueur à la date ex-dividende/de distribution du capital.

Salaire de base

Le salaire de base est la partie fixe pour la fonction occupée. Déterminé par l'étendue et la complexité de la fonction, il est révisé chaque année. Les grilles générales du salaire de base sont positionnées afin de gérer les salaires au niveau des médianes pratiquées sur le marché concerné. Au niveau individuel, le salaire de base est généralement versé dans une fourchette de 80% à 120% du salaire médian du marché concerné. Les facteurs clés dans la détermination du salaire sont l'expérience et la performance globales du collaborateur.

Rapport sur les rémunérations *suite*

Rémunération variable

Des plans d'incitation sont conçus pour fournir une échelle d'opportunités de récompenses liées aux niveaux de performance. La performance d'exploitation et individuelle peut se traduire par des niveaux de rémunération supérieurs à la cible en cas de performance notable et par des niveaux inférieurs à la cible en cas de performance non conforme aux attentes. Les opportunités de rémunération variable sont instituées sur les marchés où il est usuel de motiver les collaborateurs à atteindre des objectifs clés à court terme et à long terme apportant une valeur accrue aux actionnaires. Les opportunités de rémunération variable peuvent inclure des primes d'incitation à court et à long termes:

Les primes d'incitation à court terme (un an) dépendent de la performance sur le modèle suivant:

- Les primes d'incitation à court terme sont versées en espèces.

- Chaque participant se voit attribuer une prime cible pour l'année de performance.

- Un certain nombre de caisses distinctes de primes d'incitation à court terme sont créées pour couvrir les différents secteurs du Groupe: Direction générale, segments d'activité, opérations, domaines fonctionnels et siège social (Corporate Center). La structure de la caisse est revue chaque année. Chaque participant est rattaché à l'une des caisses de financement des plans d'incitation à court terme (STIP).

- Pour chaque caisse STIP, l'enveloppe cible est égale à la somme des niveaux de primes cibles pour chaque individu rattaché à la caisse.

- Le financement réel de la caisse STIP – un pourcentage de la caisse cible – est calculé à la fin de l'année de performance. Le Conseil d'administration a approuvé la grille de performance STIP, qui lie la performance commerciale à la taille potentielle de la caisse de financement réelle. En tenant compte de la performance commerciale appropriée et des paramètres de risque, le CEO formule des recommandations sur la taille des diverses caisses de financement STIP à l'intention du Comité de rémunération, qui en débat et soumet ces propositions à l'approbation du Conseil d'administration.

- La performance d'exploitation correspondante est évaluée en fonction du budget prévisionnel approuvé par le Conseil d'administration au mois de décembre de l'année précédant l'année de performance. Parmi les paramètres financiers permettant de financer les caisses figurent généralement le bénéfice net du Groupe pour la Direction générale et le bénéfice d'exploitation correspondant pour les segments d'activité: pour Farmers, la performance opérationnelle des Farmers Exchanges est également prise en compte. En fonction des performances avérées, les caisses de financement Group STIP peuvent varier de 0 à 175% des fonds cibles. Si la performance opérationnelle est conforme à l'objectif, le financement Group STIP potentiellement disponible en pourcentage des primes cibles avoisine 100%. Toutefois, si la performance opérationnelle est inférieure à l'objectif, le financement Group STIP potentiellement disponible en pourcentage des primes cibles est normalement inférieur à 100% et peut même être ramené à 0%. La performance financière du secteur concerné, ainsi qu'une évaluation des paramètres de risque par le Chief Risk Officer, sont prises en compte au moment d'évaluer les résultats d'exploitation.

- L'allocation de la caisse de financement STIP à chaque participant dépend alors de la taille de la caisse de financement disponible, des résultats de l'unité à laquelle le salarié est rattaché et de la performance avérée de chaque participant au cours de l'année. Toute violation des règles ou dispositions internes ou externes par le salarié est prise en compte dans sa notation de performance individuelle. La performance individuelle avérée est évaluée par le biais du processus et du système de gestion de la performance mis en place par le Groupe. Ce processus aboutit à l'attribution d'une note individuelle sur une échelle de 1 à 5 (la note «5» étant la plus élevée) et prévoit une directive de distribution cible pour chacune des notations. Cela garantit une différenciation claire des notes et des versements STIP en fonction de la performance individuelle.

- En fonction de la taille de la caisse de financement Group STIP et de la note de performance individuelle, les primes d'incitation à court terme peuvent varier de 0 à 200% du niveau de prime cible individuel.

- De cette façon, les primes d'incitation à court terme sont différenciées en fonction de la performance avérée de la société et de celle du collaborateur. Le financement dépend intégralement de la performance opérationnelle et dès lors que le financement est disponible, le versement dépend alors de la performance individuelle.

Les primes d'incitation à court terme sont octroyées principalement via le Group STIP. En outre, il existe des plans locaux au niveau des pays. Le plan du Groupe est utilisé dans l'ensemble de l'organisation et, dans de nombreux pays, il couvre tous les collaborateurs du pays respectif dont la participation a été retenue. Dans d'autres pays, seuls les collaborateurs les plus hauts gradés participent au plan du Groupe. Les plans locaux du pays, suivant à peu près les mêmes principes que le Group STIP, peuvent servir pour les autres collaborateurs.

Ces deux dernières années, plus de 10 000 collaborateurs sont passés de plans d'incitation locaux au profit du Group STIP. En 2014 et en 2015, le Groupe continuera d'analyser la possibilité de transférer vers le Group STIP des salariés qui participent aux plans d'incitation locaux, et ce en tenant compte de l'environnement juridique et de l'environnement du marché.

Les primes d'incitation à long terme (trois ans) récompensent l'atteinte des objectifs financiers à long terme du Groupe et sont destinées à un groupe déterminé de cadres supérieurs et de dirigeants dont les fonctions spécifiques se concentrent sur les facteurs générateurs de valeur à long terme en faveur des actionnaires. Ce groupe contient les individus affichant le niveau de rémunération totale le plus élevé, ainsi que ceux considérés comme des Key Risk Takers. Conformément au profil de risque du Groupe et à sa stratégie, les primes d'incitation à long terme sont assorties d'une clause d'étalement dans le temps pour tenir compte des risques importants et de leur horizon temporel. Cette rémunération différée est structurée de manière à sensibiliser les participants au risque et à les encourager à conduire leur activité de façon durable.

Le paiement différé des primes d'incitation à long terme se concrétise par:

- L'acquisition au prorata des primes d'incitation à long terme, en versements par tiers échelonnés sur les trois années qui suivent l'année d'octroi de la prime.
- En outre, la moitié des actions acquises sont bloquées à la vente pour une période de trois ans à compter de leur date d'acquisition.

Les plans d'incitation à long terme mis en place par le Groupe peuvent inclure i) des actions liées à la performance; ii) des options liées à la performance, iii) des actions bloquées ou une combinaison de tous ces éléments. Les principales caractéristiques des plans d'incitation à long terme du Groupe sont les suivantes:

- Chaque participant se voit attribuer une prime cible pour l'année d'octroi.
- L'acquisition est basée sur un modèle annuel et évaluable dans lequel les primes cibles sont divisées en trois tranches équivalentes, chacune d'entre elles étant calculée en vue d'une acquisition dans les trois ans qui suivent la date d'octroi. Le tableau suivant illustre ce mécanisme:

Evolution d'attributions réalisées en 2013

	Année d'acquisition et année de levée des restrictions à la vente sur 50% de toute prime en actions acquise					
	2014	2015	2016	2017	2018	2019
1re tranche de la prime de 2013	Evaluation donnant droit à l'acquisition			Levée des restrictions à la vente		
2e tranche de la prime de 2013		Evaluation donnant droit à l'acquisition			Levée des restrictions à la vente	
3e tranche de la prime de 2013			Evaluation donnant droit à l'acquisition			Levée des restrictions à la vente

Le tableau suivant illustre comment les tranches relatives aux diverses primes annuelles sont acquises tout au long des années calendaires consécutives. En conséquence, il y a toujours trois tranches de primes relatives à des années différentes qui sont évaluées chaque année civile à des fins d'acquisition.

Rapport sur les rémunérations *suite*

Année d'acquisition pour chaque tranche[1]		
2014	**2015**	**2016**
1re tranche de la prime de 2013	1re tranche de la prime de 2014	1re tranche de la prime de 2015
2e tranche de la prime de 2012	2e tranche de la prime de 2013	2e tranche de la prime de 2014
3e tranche de la prime de 2011	3e tranche de la prime de 2012	3e tranche de la prime de 2013

[1] Ce tableau reflète le régime des acquisitions en 2013 et des années précédentes et sera affecté par les modifications apportées au système LTIP en 2014, comme il est décrit aux pages 97 à 99.

Les rétributions liées à la performance ne sont acquises que si certaines conditions de performance du Groupe sont réunies en termes de rendement absolu des fonds propres ordinaires (ROE) et de rendement total pour les actionnaires (TSR), par rapport à un groupe de compagnies d'assurances internationales concurrentes figurant dans l'indice Dow Jones Insurance Titans. La performance est mesurée sur les trois années civiles précédant la date d'acquisition et le pourcentage d'acquisition, calculé en fonction des performances réelles en termes de ROE et de TSR, peut varier de 0% à 175% des primes cibles. Si les seuils de performance minimale sont atteints, les conditions de performance du Groupe sont alors prises en compte dans les mêmes proportions. Dans le cas contraire, les primes cibles ne seront pas acquises. Si les objectifs de ROE du Groupe sont satisfaits et si le TSR est inférieur à la médiane, le Comité de rémunération, de concert avec le Conseil d'administration, déterminera si une acquisition partielle de la tranche spécifique de la prime cible est appropriée du fait de circonstances exceptionnelles. Le pourcentage d'acquisition est proposé par le CEO au Comité de rémunération, qui formule une recommandation auprès du Conseil d'administration en vue d'une décision finale. En principe, la matrice d'acquisition applicable aux primes versées en 2013 et au cours des années précédentes est la suivante:

Matrice d'acquisition du plan d'incitation à long terme (2013 et années précédentes)

en %		Niveau d'acquisition des octrois d'actions et d'options selon les cibles			
TSR de Zurich sur trois ans, par rapport aux 28 entreprises principales de l'indice Dow Jones Global Insurance Sector Titans	Quartile supérieur (position: 1 à 7)	100%	125%	150%	175%
	Second quartile (position: 8 à 14)	75%	100%	125%	150%
		9%	12%	15%	18%
		Moyenne annuelle sur trois ans du rendement des fonds propres ordinaires du Groupe (ROE)			

Lorsque le ROE avéré se situe entre les valeurs inscrites au tableau, le pourcentage d'acquisition est fixé par interpolation des chiffres figurant dans la matrice ci-dessus. Par exemple, avec un TSR relatif dans le second quartile et un ROE moyen de 12,5% sur la période de trois ans, le pourcentage d'acquisition serait de 104% de la prime cible.

La matrice de performance sous-jacente a été examinée par le Conseil d'administration, qui a décidé de ne pas la modifier en 2013. Le Conseil d'administration peut exercer son pouvoir discrétionnaire afin de tenir compte de l'environnement actuel dans son évaluation des niveaux d'acquisition globaux. Le niveau calculé peut être ajusté de +/–25% en fonction de circonstances exceptionnelles sur le marché, par exemple au niveau des taux d'intérêt, des taux de change, etc. Seul le CEO est habilité à modifier les primes individuelles pour tenir compte des circonstances particulières, à l'exception des modifications concernant les membres du GEC qui sont exclusivement du ressort du Comité de rémunération et du Conseil d'administration. Un ajustement de +/–25% par rapport au niveau d'acquisition normal peut être appliqué avant la distribution. Toutefois, si la performance le justifie dans certaines circonstances exceptionnelles ou inhabituelles, des exceptions au principe des +/– 25% sont envisageables. A cet égard, la société se réserve le droit d'ajuster, voire de descendre à zéro le pourcentage d'acquisition d'une personne pour tenir compte de circonstances particulières (p. ex. violation d'un règlement interne ou externe) pendant la période antérieure à l'acquisition, mais ce type d'ajustement est exclusivement réservé au Comité de rémunération et au Conseil d'administration.

Les plans de rémunération variable du Groupe sont révisés chaque année, à la fois en termes de contenu et de participants. Les plans peuvent être résiliés, modifiés, changés ou révisés.

Avantages du personnel

Le Groupe offre un éventail d'avantages au personnel sur le modèle des pratiques en vigueur dans les marchés locaux. Les collaborateurs sont, en principe, tenus de participer au coût de ces prestations et l'offre globale de prestations repose sur la médiane du marché concerné.

Rémunération et actionnariat des membres du Conseil d'administration et du Comité exécutif du Groupe

Au 31 décembre 2013, aucun des administrateurs de Zurich Insurance Group SA n'exerçait de fonction exécutive et tous étaient indépendants de la Direction générale. La rémunération des membres du Conseil d'administration et celle des membres du GEC, de même que leur participation au capital, sont présentées séparément.

Membres du Conseil d'administration

Honoraires des administrateurs

Tous les administrateurs perçoivent des honoraires, dont une partie est versée en espèces et une autre partie sous forme d'une attribution d'actions de Zurich Insurance Group SA dont la vente est bloquée pendant trois ans, au titre de leur appartenance aux Conseils d'administration de Zurich Insurance Group SA et de Zurich Compagnie d'Assurances SA. Les actions sont attribuées à titre d'honoraires généraux qui ne sont pas liés à l'atteinte d'objectifs de performance définis.

La structure d'honoraires établie en 2012 n'a pas changé en 2013 et le Conseil d'administration a décidé de la maintenir en 2014.

A l'exception du président et du vice-président, les administrateurs sont rétribués sur une base annuelle d'honoraires de 240 000 CHF en 2013 (240 000 CHF en 2012). Un tiers de ces honoraires annuels de base, soit 80 000 CHF en 2013 (80 000 CHF en 2012), est attribué sous forme d'actions de Zurich Insurance Group SA dont la vente est bloquée. Le montant des honoraires est calculé au prorata pour les membres qui quittent ou intègrent le Conseil d'administration en cours d'année. Les membres du Conseil d'administration perçoivent des honoraires supplémentaires en espèces de 50 000 CHF en 2013 (50 000 CHF en 2012) pour tous les comités auxquels ils participent, quel qu'en soit le nombre. En outre, le président de chaque comité perçoit des honoraires annuels de 30 000 CHF en 2013 (30 000 CHF en 2012) et le président du Comité d'audit perçoit 10 000 CHF supplémentaires en 2013 (10 000 CHF en 2012). Les comités dans lesquels les administrateurs officient sont présentés dans le Rapport sur la gouvernance d'entreprise à la page 38.

Lorsqu'un administrateur est également membre du Conseil d'administration d'une ou de plusieurs filiales de Zurich Insurance Group SA, il a droit à des honoraires supplémentaires de 50 000 CHF en 2013 (50 000 CHF en 2012) par année, auxquels s'ajoutent 10 000 CHF en 2013 (10 000 CHF en 2012) par an s'il préside également le Comité d'audit du Conseil d'administration en question. La structure des honoraires des conseils d'administration des filiales peut être modifiée si certaines circonstances telles qu'une prolongation de la durée nécessaire à l'acquittement des tâches d'un membre du conseil le justifient. Par conséquent, M. de Swaan perçoit, au titre de son siège au conseil d'administration de Zurich Insurance plc, des honoraires de base de 75 000 CHF ainsi qu'un supplément de 5 000 CHF au titre de son rôle de président du Comité d'audit et de la durée supplémentaire pour laquelle il s'est engagé en qualité de membre de ce conseil.

En 2013, le vice-président a perçu 375 000 CHF (375 000 CHF en 2012) au titre de ses honoraires annuels de base, dont un montant de 125 000 CHF (125 000 CHF en 2012) est alloué sous forme d'actions de Zurich Insurance Group SA dont la vente est bloquée. En 2013, le président du Conseil d'administration de Zurich Insurance Group SA a perçu 1 000 000 de CHF (1 000 000 de CHF en 2012) au titre de ses honoraires annuels de base, dont un tiers, soit 333 500 CHF (333 500 CHF en 2012), est alloué sous forme d'actions de Zurich Insurance Group SA dont la vente est bloquée. Ni le président ni le vice-président ne perçoivent d'honoraires supplémentaires pour leurs travaux au sein des comités.

Sur la base de cette structure, l'ensemble des honoraires versés aux administrateurs de Zurich Insurance Group SA et de Zurich Compagnie d'Assurances SA pour l'exercice arrêté au 31 décembre 2013 se sont élevés à 4 151 009 CHF, dont 2 992 893 CHF en espèces et 1 158 116 CHF sous forme d'actions dont la vente est bloquée pendant trois ans (valeur estimée à la date d'octroi). Le cours de l'action à la date d'octroi était de 240.90 CHF. Le montant correspondant en

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2012 était de 4 244 246 CHF, dont 3 166 298 CHF en espèces et 1 077 948 CHF sous forme d'actions dont la vente est bloquée pendant trois ans (valeur à la date d'octroi). Le cours de l'action à la date de l'attribution en 2012 était de 207.10 CHF. Les honoraires des membres du Conseil d'administration n'ouvrent pas droits à retraite.

Les tableaux suivants indiquent les honoraires versés aux membres du Conseil d'administration en 2013 et en 2012 en CHF:

Honoraires des administrateurs en 2013

en CHF	2013[1]						
	Honoraires de base	Honoraires de comité[2]	Honoraires de présidence[3]	Autres honoraires[7]	Total des honoraires[8]	dont montant versé en espèces	dont partie allouée en actions[4, 5]
T. de Swaan, président[6,10]	589 041			80 000	669 041	544 041	125 000
J. Ackermann, ancien président[6,10]	666 750				666 750	333 250	333 500
F. Kindle, vice-président[6,10]	281 424	34 658			316 082	236 082	80 000
S. Bies, membre	240 000	50 000	9 206	50 000	349 206	269 206	80 000
A. Carnwath, membre	240 000	50 000			290 000	210 000	80 000
V. L.L. Chu, membre	240 000	50 000			290 000	210 000	80 000
R. del Pino, membre	240 000	50 000			290 000	210 000	80 000
Th. Escher, membre	240 000	50 000	30 000		320 000	240 000	80 000
M. Mächler, membre[10]	177 986	37 260			215 246	155 630	59 616
A. Meyer, membre[10]	61 808	12 877			74 685	74 685	–
D. Nicolaisen, membre	240 000	50 000	40 000	50 000	380 000	300 000	80 000
R. Watter, membre	240 000	50 000			290 000	210 000	80 000
Total en CHF[9]	**3 457 009**	**434 795**	**79 206**	**180 000**	**4 151 009**	**2 992 893**	**1 158 116**

Honoraires des administrateurs en 2012

en CHF	2012[1]						
	Honoraires de base	Honoraires de comité[2]	Honoraires de présidence[3]	Autres honoraires[7]	Total des honoraires[8]	dont montant versé en espèces	dont partie allouée en actions[4, 12]
J. Ackermann, président[6,11]	846 198	–	–	–	846 198	563 399	282 799
M. Gentz, ancien président[6,11]	243 170	–	–	–	243 170	243 170	n/a
T. de Swaan, vice-président[6,11]	342 172	12 159	7 295	85 000	446 626	332 569	114 057
S. Bies, membre	240 000	50 000		50 000	340 000	260 000	80 000
A. Carnwath, membre[11]	181 202	37 705	–	–	218 907	158 361	60 546
V. L.L. Chu, membre	240 000	50 000	–	–	290 000	210 000	80 000
R. del Pino, membre[11]	181 202	37 705	–	–	218 907	158 361	60 546
Th. Escher, membre	240 000	50 000	22 623	–	312 623	232 623	80 000
F. Kindle, membre	240 000	50 000	–	–	290 000	210 000	80 000
A. Meyer, membre	240 000	50 000	–	–	290 000	210 000	80 000
D. Nicolaisen, membre	240 000	50 000	40 000	50 000	380 000	300 000	80 000
V.L. Sankey, membre[11]	58 361	12 159	7 295	–	77 815	77 815	n/a
R. Watter, membre	240 000	50 000	–	–	290 000	210 000	80 000
Total en CHF[9]	**3 532 305**	**449 728**	**77 213**	**185 000**	**4 244 246**	**3 166 298**	**1 077 948**

[1] Les rémunérations présentées dans les tableaux sont des valeurs brutes calculées selon le principe de séparation des exercices. Elles ne comprennent aucune dépense qui aurait été engagée dans le cadre des activités des administrateurs.
[2] Les membres des comités perçoivent des honoraires en espèces de 50 000 CHF (50 000 CHF en 2012) pour tous les comités où ils siègent, indépendamment de leur nombre. Les comités dans lesquels les administrateurs officient sont présentés dans le Rapport sur la gouvernance d'entreprise à la page 38.
[3] Les présidents des comités perçoivent des honoraires annuels de 30 000 CHF (30 000 CHF en 2012) et le président du Comité d'audit perçoit un montant supplémentaire de 10 000 CHF (10 000 CHF en 2012). Mme Bies a pris la présidence du Comité des risques le 11 septembre 2013. Les comités auxquels les administrateurs participent et leur président respectif sont indiqués dans le Rapport sur la gouvernance d'entreprise à la page 38.
[4] Les actions attribuées aux administrateurs sont bloquées à la vente pendant trois ans.
[5] Le 16 juin 2013, M. Ackermann a reçu 1 384 actions, M. de Swaan 518 actions et les autres membres du Conseil d'administration 332 actions. Le cours de l'action (240.90 CHF) au 15 juin 2013 a été utilisé pour calculer le nombre d'actions à partir de la portion fixe des honoraires attribués en actions aux membres respectifs. Lorsque la valeur des actions attribuées n'était pas équivalente à la valeur de la portion des honoraires à attribuer en actions, la différence était payée en espèces.
[6] Ni le président ni le vice-président ne perçoivent d'honoraires supplémentaires pour leurs travaux au sein des comités.
[7] En sus des honoraires perçus en tant qu'administrateurs de Zurich Insurance Group SA, Susan Bies, Don Nicolaisen et Tom de Swaan ont perçu des honoraires en vertu de leur appartenance aux Conseils d'administration des sociétés suivantes de Zurich Insurance Group:

– En 2013 et 2012, Susan Bies et Don Nicolaisen ont perçu chacun des honoraires de 50 000 CHF en vertu de leur appartenance au Conseil d'administration de Zurich Holding Company of America (ZHCA).
– En 2013, M. de Swaan a perçu 75 000 CHF au titre de son siège au Conseil d'administration de Zurich Insurance plc. Des honoraires annuels complémentaires d'un montant de 5 000 CHF lui ont été versés en qualité de président du Comité d'audit de cette société. En 2012, M. de Swaan a perçu 75 000 CHF au titre de sa participation aux Conseils d'administration de Zurich Insurance plc et Zurich Life Assurance plc. Des honoraires annuels complémentaires d'un montant de 10 000 CHF lui ont été versés au titre de président des Comités d'audit de ces deux sociétés.

[8] Les administrateurs basés en Suisse ont droit à certains avantages sociaux.
[9] Conformément à la législation en vigueur, Zurich a payé la part employeur des cotisations aux systèmes de sécurité sociale, soit 136 246 CHF en 2013. Les mêmes cotisations avaient totalisé 160 340 CHF en 2012. Les cotisations personnelles des administrateurs aux systèmes de sécurité sociale sont comprises dans les montants indiqués dans le tableau ci-dessus.
[10] A l'occasion de l'Assemblée générale ordinaire du 4 avril 2013, M. Meyer a quitté le Conseil d'administration et Mme Mächler a été élue membre du Conseil d'administration. En août 2013, M. Ackermann a quitté le Conseil d'administration. M. de Swaan a été nommé président et M. Kindle vice-président du Conseil d'administration à compter du 11 septembre 2013.
[11] A l'occasion de l'Assemblée générale ordinaire du 29 mars 2012, MM. Gentz et Sankey ont quitté le Conseil d'administration; Dame Carnwath et M. del Pino ont été élus au Conseil d'administration. M. Ackermann a été nommé président et M. de Swaan vice-président du Conseil d'administration.
[12] Le 16 juin 2012, M. Ackermann a reçu 1 365 actions, M. de Swaan 550 actions et les autres membres du Conseil d'administration 386 actions. Le cours de l'action (207.10 CHF) au 16 juin 2012 a été utilisé pour calculer le nombre d'actions à partir de la portion fixe des honoraires attribués en actions aux membres respectifs. Lorsque la valeur des actions attribuées n'était pas équivalente à la valeur de la portion des honoraires à attribuer en actions, la différence était payée en espèces.

Conditions financières de départ pour les membres du Conseil d'administration ayant quitté leurs fonctions

M. Meyer, dont le mandat arrivait à expiration lors de l'Assemblée générale ordinaire du 4 avril 2013, n'était pas candidat à sa réélection car il avait atteint la durée d'exercice maximale. Son départ n'a donné lieu à aucun versement de prime de départ (p. ex. «golden parachute») ni à aucun autre avantage tel que le renoncement aux périodes de blocage des actions, un raccourcissement de la période d'acquisition ou des cotisations supplémentaires aux régimes de retraite complémentaire.

Versements spéciaux pour les nouveaux membres du Conseil d'administration

Lors de l'Assemblée générale ordinaire du 4 avril 2013, Mme Mächler a été élue en tant que nouvelle membre du Conseil d'administration. Son arrivée n'a donné lieu à aucun versement spécial (p. ex. «golden handshake») ni à aucun autre avantage.

Rémunération des anciens administrateurs

Aucun avantage (ou abandon de créance) n'a été accordé à d'anciens administrateurs en 2013, pas plus qu'en 2012.

Plans d'attribution d'actions aux administrateurs

Les membres du Conseil d'administration de Zurich Insurance Group SA et de Zurich Compagnie d'Assurances SA ne participent à aucun plan d'incitation sous forme d'attribution d'actions à l'intention de la Direction générale. Toutefois, une partie des honoraires des administrateurs de Zurich Insurance Group SA est attribuée sous forme d'actions dont la vente est bloquée pendant trois ans. Comme mentionné ci-dessus, les actions sont attribuées aux administrateurs à titre d'honoraires généraux et elles ne sont pas liées à l'atteinte d'objectifs de performance définis.

Participations des administrateurs au capital

Les participations au capital de Zurich Insurance Group SA détenues par les membres du Conseil d'administration investis d'un mandat à la fin de l'année sont indiquées dans le tableau suivant. Toutes les participations présentées sont détenues en compte propre et englobent les actions bloquées à la vente qui sont attribuées aux administrateurs en guise d'honoraires et les actions détenues par des parties liées aux membres du Conseil d'administration.

Participations des administrateurs

Nombre d'actions de Zurich Insurance Group SA[1] au 31 décembre	Détention d'actions	
	2013	2012
T. de Swaan, président	2 597	2 079
J. Ackermann, ancien président	n/a	23 271
F. Kindle, vice-président	17 247	16 915
S. Bies, membre	1 964	1 632
A. Carnwath, membre	624	292
V. L.L. Chu, membre	1 964	1 632
R. del Pino, membre	624	292
Th. Escher, membre	9 802	9 470
A. Meyer, membre	n/a	3 239
M. Mächler, membre	247	n/a
D. Nicolaisen, membre	2 247	1 915
R. Watter, membre	5 215	4 883
Total	**42 531**	**65 620**

[1] Aucun des administrateurs, conjointement aux parties qui leur sont liées, ne détenait plus de 0,5% des droits de vote de Zurich Insurance Group SA au 31 décembre 2013 ou au 31 décembre 2012, respectivement.

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Options d'achat d'actions détenues par les administrateurs
Les membres des Conseils d'administration de Zurich Insurance Group SA et de Zurich Compagnie d'Assurances SA ne participent à aucun plan d'options d'achat d'actions à l'intention de la Direction générale. Ainsi, aucune option d'achat d'actions n'a été attribuée au cours de l'exercice considéré ou des exercices antérieurs. Aucun des membres du Conseil d'administration, ni aucune des parties qui leur sont liées, ne détenait d'options d'achat d'actions ou de droits de conversion sur des actions de Zurich Insurance Group SA au 31 décembre 2013 ou 2012.

Honoraires et rémunérations supplémentaires pour les administrateurs
Aucun des membres du Conseil d'administration n'a perçu, de la part du Groupe ou de l'une des sociétés du Groupe, d'autres rémunérations ou avantages en nature que ceux mentionnés ci-dessus.

Prêts personnels aux administrateurs
Indépendamment de son appartenance au Conseil d'administration et conformément aux conditions offertes aux autres clients, M. Watter bénéficiait d'un prêt garanti sur police d'un montant de 2,5 millions de CHF au 31 décembre 2013 et 2012. Le taux d'intérêt annuel appliqué au prêt est de 4%. Hormis le prêt consenti à M. Watter, aucun des administrateurs n'avait d'encours de prêt, d'avance ou de crédit au 31 décembre 2013 ou 2012.

Prêts personnels aux anciens administrateurs
Au 31 décembre 2013 et 2012 respectivement, aucun ancien administrateur ne bénéficiait d'encours de prêt, d'avance ou de crédit.

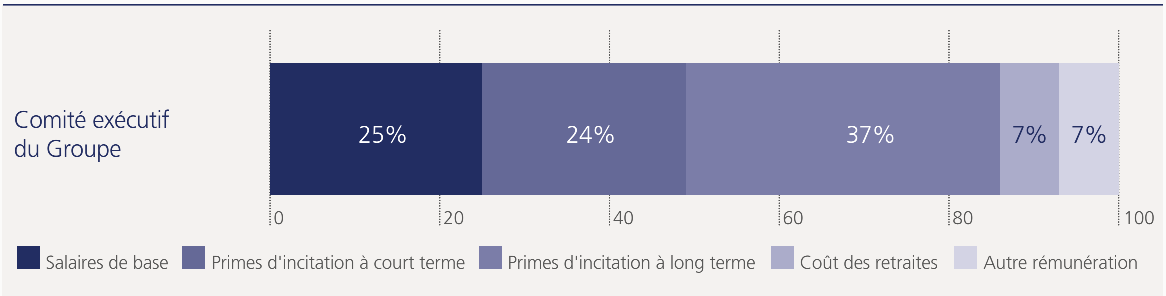
Parties liées aux administrateurs ou à d'anciens membres du Conseil d'administration
Aucun avantage (ou abandon de créance) n'a été accordé à des parties liées aux administrateurs ou à des parties liées aux anciens membres du Conseil d'administration au cours des exercices 2013 et 2012. Par ailleurs, aucune partie liée aux administrateurs ou à d'anciens membres du Conseil d'administration n'avait d'encours de prêt, d'avance ou de crédit au 31 décembre 2013 et 2012.

Comité exécutif du Groupe (GEC)

Rémunération du Comité exécutif du Groupe
En 2013, la rémunération totale des membres du GEC comprenait le montant de la rémunération en espèces (y compris les primes en espèces à court terme), les prestations de retraite, les autres rémunérations et les attributions d'actions cibles effectuées dans le cadre du Group LTIP en 2013.

La structure de rémunération et la répartition des éléments individuels de rémunération pour les membres du GEC sont déterminées en prenant en compte les pratiques du marché concerné et les rapports internes.

La répartition de la rémunération totale en 2013 entre les éléments individuels de rémunération est présentée dans le graphique suivant et est fondée sur les valeurs cibles pour la rémunération liée à la performance.



Comme on peut le constater sur le graphique ci-dessus, il existe un juste équilibre entre les éléments de rémunération; l'accent est mis sur la rémunération liée à la performance, au moyen non seulement du plan d'incitation à court terme (STIP) mais aussi du plan d'incitation à long terme (LTIP). La distribution des valeurs cibles entre les primes à court terme (un an) et à long terme (trois ans) met en évidence la priorité donnée aux primes à long terme.

Les éléments individuels de rémunération sont détaillés ci-dessous (les montants accordés au cadre supérieur le mieux rétribué y figurent également):

Montant de la rémunération totale

Le montant total des différents éléments de rémunération versés aux membres du GEC en 2013 a été de 46,0 millions d'USD, c'est-à-dire très proche des 46,4 millions d'USD versés en 2012 et calculés sur la même base. En francs suisses, la valeur totale s'est inscrite à 42,5 millions de CHF, en léger recul par rapport à 2012 (42,6 millions de CHF). Sont inclus dans les chiffres de 2013 les montants de la rémunération des deux personnes qui assumaient les positions de Chief Financial Officer et de Group Head of Operations «par intérim» pendant l'exercice.

La valeur totale en 2013 comprend les éléments suivants (les chiffres comparatifs de 2012 sont présentés dans le tableau qui présente la rémunération totale de tous les membres du GEC):

Salaires de base et primes annuelles en espèces versées en 2013

Le montant total des salaires de base et des primes d'incitation annuelles en espèces accordées dans le cadre du Group STIP a atteint 23,7 millions d'USD en 2013. Ce montant comprend 11,6 millions d'USD en salaires de base et 12,1 millions d'USD de primes d'incitation annuelles en espèces qui reflètent les montants à payer en 2014 pour la performance de 2013. Les primes d'incitation annuelles en espèces sont déterminées individuellement et sont liées à la performance (voir page 80).

Pour les membres du GEC, y compris le CEO, les niveaux visés dans le cadre du plan d'incitation à court terme (STIP) 2013 varient entre 75 et 100% du salaire de base. Les primes octroyées à l'ensemble des membres du GEC, y compris le CEO, sont plafonnées à 200% du montant cible. Le financement global des primes d'incitation est basé sur le profit sous-jacent du Groupe pendant l'exercice et, à ce titre, le bénéfice net attribuable aux actionnaires (NIAS) s'est amélioré d'année en année. En accord avec le Chief Executive Officer, le Comité de rémunération a étudié la performance individuelle de chacun des membres du GEC en tenant compte de plusieurs facteurs tels que la performance du segment d'activité ou de la fonction géré(e), la réalisation des objectifs stratégiques dans un grand nombre de domaines, y compris les améliorations du portefeuille d'activités, la clientèle et les intermédiaires, les produits et services et la gestion du personnel. Les propositions ont ensuite été examinées et approuvées par le Conseil d'administration. Le Comité de rémunération et le Conseil d'administration ont également passé en revue la performance du CEO pendant l'exercice et défini sa prime d'incitation en espèces pour 2013.

Attribution d'actions aux membres du Comité exécutif du Groupe dans le cadre du LTIP 2013

Tel que décrit ci-dessus, les membres du GEC ont reçu en 2013, au titre du Group LTIP, un quota annuel d'actions liées à la performance. Dans des circonstances extraordinaires, des attributions d'actions bloquées peuvent aussi avoir lieu. Pour les membres du GEC, y compris le CEO, la valeur des primes cibles en 2013 a été fixée entre 100 et 225% du salaire de base de chaque membre.

Comme les années précédentes, les primes cibles pour 2013 ont été établies le troisième jour ouvré du mois d'avril, à savoir le 3 avril 2013. Le nombre cible d'actions liées à la performance a été calculé en divisant la valeur pécuniaire de la prime par le cours de l'action observé la veille de l'attribution de la prime.

Les modalités d'acquisition des primes et les critères de performance sont présentés aux pages 81 à 82. Les attributions d'actions suivantes au titre du Group LTIP ont été effectuées en 2013:

Attributions d'actions liées à la performance

Le nombre total d'actions liées à la performance attribuées aux membres du GEC au cours de l'exercice 2013 a été de 57 374. A titre de comparaison, 67 296 actions avaient été bloquées en 2012. Le montant des attributions d'actions liées à la performance cible réalisées le 3 avril 2013 au profit des membres du GEC s'élevait à 16,2 millions d'USD à la date de l'attribution dans l'hypothèse d'un taux d'acquisition de 100% en 2014, 2015 et 2016, d'un cours du titre de 267.30 CHF la veille de l'attribution et d'un taux de change de 1 CHF = 1.0576 USD.

Au titre de la période de performance de trois ans clôturée au 31 décembre 2013, 25 234 actions seront acquises en 2014 par les membres du GEC qui y siégeaient en 2013, et ce au titre des distributions d'actions liées à la performance opérées en 2011, 2012 et 2013. Comme il est mentionné au résumé à la page 73, cela correspond à un niveau d'acquisition de 50% de l'objectif. La moitié des actions acquises dans le cadre du plan est bloquée à la vente pendant trois ans à partir de la date d'acquisition. La valeur des primes en actions acquises était de 7,2 millions d'USD sur la base du cours de clôture de 258.50 CHF.

Attributions d'actions bloquées

Des attributions d'actions bloquées complètent les primes d'incitation à long terme ordinaire et elles interviennent uniquement dans des circonstances extraordinaires, principalement pour les personnes nouvellement embauchées afin

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de compenser la perte de leurs droits en actions acquis auprès de leur ancien employeur. Ces attributions d'actions bloquées sont généralement acquises dans les trois à cinq ans qui suivent la date d'attribution et elles sont caduques si le détenteur de ces actions quitte la société de son plein gré avant la date d'acquisition, mettant fin au contrat de travail. Aucune attribution d'actions bloquées n'est intervenue en faveur des membres du GEC en 2013 ni en 2012.

Attributions d'options d'achat d'actions
Aucune prime sous forme d'options d'achat d'actions ne sera acquise en 2014 au titre de la période de performance de trois ans clôturée au 31 décembre 2013 car la dernière attribution d'options a eu lieu en 2010.

Montant des prestations de retraite cumulées en 2013
Les membres du GEC participent aux régimes de retraite des entités dont ils sont salariés. La philosophie du Groupe est de fournir des prestations de retraite sous forme de montants en espèces et/ou de régimes à cotisations déterminées où les fonds s'accumulent tout au long de la carrière. La majorité des membres du GEC participent à de tels plans et, à terme, tous les futurs membres du GEC y participeront. Les autres membres du GEC participent aux régimes de retraite à prestations déterminées qui leur procurent des prestations de retraite en fonction des derniers revenus ouvrant droit à pension et de leur ancienneté. L'âge normal de départ à la retraite varie de 60 à 65 ans. La valeur totale des prestations de retraite revenant aux membres du GEC au cours de l'année 2013, calculée sur la base des coûts de service pour la compagnie tels qu'évalués conformément à la norme comptable IAS 19, était de 3,2 millions d'USD. Les coûts de service évaluent le montant des prestations de retraite cumulées au cours de l'exercice et, pour des régimes à cotisations déterminées, ils tiennent compte du montant des cotisations versées par la société au cours de l'exercice.

Montant des autres rémunérations versées en 2013
Les membres du GEC ont reçu d'autres rémunérations en 2013 en relation avec les avantages des collaborateurs, indemnités d'expatriés, avantages indirects, avantages en nature et autres paiements dus en vertu du contrat de travail de chaque membre. Le montant total des autres rémunérations en 2013 s'élève à 2,9 millions d'USD. Les avantages en nature ont été évalués en utilisant les taux du marché.

Résumé de la rémunération totale du Comité exécutif du Groupe (GEC)
En référence aux chiffres ci-dessus, la rémunération totale des membres du GEC, y compris la rémunération en espèces, la valeur des attributions cibles d'actions pour 2013, les prestations de retraite et le montant des autres rémunérations atteignait 46,0 millions d'USD (46,4 millions d'USD en 2012).

Est incluse dans ce montant pour 2013 la valeur des attributions d'actions cible de 16,2 millions d'USD en 2013, qui suppose un taux d'acquisition de l'attribution de 100% de l'objectif en 2014, 2015 et 2016. Comme il est décrit ci-dessus, le niveau d'acquisition dans le cadre du LTIP sur la période de trois ans clôturée au 31 décembre 2013 correspondait à 50% de l'objectif, ce qui se traduit par une valeur réalisable effective de 7,2 millions d'USD sur la base du nombre d'actions acquises et du cours de clôture des actions de 258.50 CHF au 31 décembre 2013. Par conséquent, la rémunération totale effectivement perçue sur la période clôturée au 31 décembre 2013 était inférieure de 9,0 millions d'USD à la valeur présentée dans le tableau ci-dessous.

Tous les membres du GEC (y compris le mieux rémunéré)

en millions d'USD, pour les exercices arrêtés au 31 décembre	**2013**[1, 2]	2012[1, 3]
Salaires de base	11,6	12,0
Primes en espèces octroyées durant l'exercice	12,1	12,3
Valeur des attributions d'actions liées à la performance cible[4]	16,2	16,8
Coûts de service des prestations de retraite[5]	3,2	3,3
Valeur des autres rémunérations[6]	2,9	2,0
Total en USD[7]	**46,0**	**46,4**
Total en CHF[8]	**42,5**	**42,6**

1 Les rémunérations présentées dans le tableau sont des valeurs brutes calculées selon le principe de séparation des exercices. Elles ne comprennent aucune dépense qui aurait été engagée dans le cadre des activités des membres du GEC.
2 Sur la base de 11 membres du GEC, dont 9 ont siégé tout au long de l'année 2013. Sont inclus dans les chiffres les montants de la rémunération des deux personnes qui assumaient les positions de Chief Financial Officer et de Group Head of Operations «par intérim» pendant l'exercice.
3 Sur la base de 13 membres du GEC, dont 9 ont siégé tout au long de l'année 2012.
4 Les actions attribuées seront remises à l'avenir en fonction du degré de réalisation de la performance cible. La valeur des actions est indiquée pour une distribution future correspondant à 100% des objectifs fixés, l'évaluation des actions attribuées en fonction de la performance cible reposant sur le cours de l'action la veille de leur distribution (267.30 CHF pour 2013 et 225.90 CHF pour 2012).

[5] Les montants reflètent la valeur totale des prestations de retraite cumulées pour les membres du GEC, en 2013 et 2012 respectivement, calculée sur la base des coûts de service pour la société évalués conformément à la norme comptable IAS 19. Les coûts de service évaluent le montant des prestations de retraite cumulées au cours de l'exercice et, pour les régimes à cotisations déterminées, ils tiennent compte du montant des cotisations versées par la société au cours de l'exercice. Les coûts de service ne comprennent pas les charges d'intérêts sur les avantages cumulés, les ajustements pour plus-values et moins-values actuarielles, ni le rendement escompté sur de quelconques actifs détenus.
[6] Comprend les avantages au personnel, indemnités d'expatriation, avantages indirects, avantages en nature et autres paiements prévus dans le contrat de travail. Les avantages en nature ont été évalués en utilisant les taux du marché.
[7] Conformément à la législation en vigueur dans les pays où les cadres exercent, Zurich a payé la part employeur des cotisations aux systèmes de sécurité sociale, soit 1,6 million d'USD en 2013 et 1,7 million d'USD en 2012. Etant donné que les cotisations sont perçues sur l'intégralité du salaire alors que les prestations sont soumises à un plafond, il n'existe aucune corrélation directe entre les charges versées aux organismes de sécurité sociale et les prestations perçues par les cadres.
[8] Les montants ont été convertis en francs suisses au taux de change en vigueur dans le courant de l'année et les primes en espèces qui seront versées en 2014 ont été converties au taux de change en vigueur en fin d'année 2013.

Sur la base de ces chiffres, la rémunération totale pour tous les membres du GEC comprend 38% (37% en 2012) de rémunération fixe (dont le salaire de base, les coûts de service pour les prestations de retraite et autres rémunérations) et 62% (63% en 2012) d'éléments liés à la performance (dont les primes d'incitation en espèces au titre du Group STIP, ainsi que la valeur des attributions d'actions liées à la performance cible).

Membre du Comité exécutif du Groupe ayant la rémunération totale la plus élevée

M. Senn, le CEO du Groupe, a perçu la rémunération la plus élevée parmi les membres du GEC, soit 7,6 millions de CHF. Ce montant comprend son salaire de base en 2013, les primes en espèces perçues au titre de l'exercice 2013, la valeur des actions attribuées en 2013 au titre de la performance cible ainsi que la valeur des prestations de retraite et les autres rémunérations. Cette rémunération est identique à celle de 2012. M. Senn perçoit l'intégralité de sa rémunération en francs suisses.

Est incluse dans le montant pour 2013 la valeur des attributions d'actions cible de 3,6 millions de CHF en 2013, qui suppose un taux d'acquisition de l'attribution de 100% de l'objectif en 2014, 2015 et 2016. Comme il est décrit ci-dessus, le niveau d'acquisition dans le cadre du LTIP sur la période de trois ans clôturée au 31 décembre 2013 correspondait à 50% de l'objectif, ce qui se traduit par une valeur réalisable effective de 1,9 million de CHF sur la base du nombre d'actions acquises et du cours de clôture des actions de 258.50 CHF au 31 décembre 2013. Par conséquent, la rémunération totale effectivement perçue sur la période clôturée au 31 décembre 2013 était inférieure de 1,7 million de CHF à la valeur présentée dans le tableau ci-dessous.

Dirigeant le mieux rémunéré, Chief Executive Officer, Martin Senn en 2013 et en 2012

en millions de CHF, pour les exercices arrêtés au 31 décembre	**2013[1]**	2012[1]
Salaires de base	1,60	1,60
Primes en espèces octroyées durant l'exercice	2,00	2,00
Valeur des attributions d'actions liées à la performance cible[2]	3,60	3,60
Coûts de service des prestations de retraite[3]	0,30	0,30
Valeur des autres rémunérations[4]	0,10	0,10
Total en CHF	**7,60**	**7,60**
Total en USD[5]	**8,10**	**8,30**

[1] Les rémunérations présentées dans le tableau sont des valeurs brutes calculées selon le principe de séparation des exercices. Elles ne comprennent aucune dépense qui aurait été engagée dans le cadre des activités du CEO.
[2] Les actions attribuées seront remises à l'avenir en fonction du degré de réalisation de la performance cible. La valeur des actions est indiquée pour une distribution future correspondant à 100% des objectifs fixés, l'évaluation des actions attribuées en fonction de la performance cible reposant sur le cours de l'action la veille de leur distribution (267.30 CHF pour 2013 et 225.90 CHF pour 2012).
[3] Les montants reflètent la valeur totale des prestations de retraite calculée sur la base des coûts de service pour la société évalués conformément à la norme comptable IAS 19. Les coûts de service évaluent le montant des prestations de retraite cumulées au cours de l'exercice et, pour les régimes à cotisations déterminées, ils tiennent compte du montant des cotisations versées par la société au cours de l'exercice. Les coûts de service ne comprennent pas les charges d'intérêts sur les avantages cumulés, les ajustements pour plus-values et moins-values actuarielles, ni le rendement escompté sur de quelconques actifs détenus.
[4] Comprend les avantages au personnel, avantages indirects, avantages en nature et autres paiements prévus dans le contrat de travail. Les avantages en nature ont été évalués en utilisant les taux du marché.
[5] La rémunération de M. Senn est versée en francs suisses. Les montants ont été convertis du franc suisse au dollar américain aux taux de change en vigueur dans le courant de l'année et les primes en espèces qui seront versées en 2014 ont été converties au taux de change en vigueur en fin d'année 2013.

Versements spéciaux pour les nouveaux membres du GEC nommés en cours d'année

En 2013, aucun membre n'a été nommé au GEC.

Indemnités de départ pour les membres du Comité exécutif du Groupe ayant quitté leurs fonctions durant l'exercice

En 2013, un membre du GEC a quitté le Groupe et un autre membre est décédé. Dans de telles circonstances, la rémunération versée était conforme à leurs contrats de travail. Leur départ n'a donné lieu à aucune indemnité de départ (p. ex. «golden parachute») ni à aucun autre avantage tel que des accords sur les délais de préavis spéciaux

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ou les contrats à plus long terme (durée supérieure à 12 mois), le renoncement aux périodes de blocage des actions, un raccourcissement de la période d'acquisition ou des cotisations supplémentaires aux régimes complémentaires de retraite.

Rémunération des anciens membres du Comité exécutif du Groupe
Aucun ancien membre du GEC n'a perçu de rémunération en 2013.

Résumé des engagements actuels totaux en actions en faveur des membres du Comité exécutif du Groupe au titre du Group LTIP
Attributions d'actions
Attributions d'actions liées à la performance
Le nombre total d'actions en circulation au 31 décembre 2013 attribuées en fonction de la performance cible aux membres du GEC dans le cadre du Group LTIP, s'élevait à 102 708 (contre 98 257 au 31 décembre 2012). Un résumé des attributions restant dues au 31 décembre 2013 est présenté dans le tableau ci-dessous:

Résumé des attributions d'actions en circulation liées à la performance

Période de performance	Attributions d'actions liées à la performance cible	Cours d'attribution, en CHF	Années futures d'acquisition
2013–2015	51 755	267.30	2014–2016
2012–2014	35 411	225.90	2014–2015
2011–2013	15 542	243.60	2014

Dans le cadre du Group LTIP, ces attributions d'actions liées à la performance sont amenées à être acquises à raison de versements par tiers au cours des trois années qui suivent leur attribution. En outre, la moitié des actions acquises fera l'objet de restrictions à la vente pendant une période de trois ans. Le niveau réel d'acquisition est déterminé conformément aux principes de rémunération et aux critères d'acquisition présentés dans ce rapport.

Attributions d'actions bloquées
Il n'y avait aucune action bloquée en circulation au 31 décembre 2013 allouée aux membres du GEC (aucune action bloquée n'était en circulation à la fin 2012).

Attributions d'options d'achat d'actions
Aux termes du programme d'options d'achat d'actions destiné aux cadres supérieurs, le Groupe a autrefois émis des options d'achat d'actions en faveur de certaines personnes dans le cadre de règles définies. Un terme a été mis aux attributions d'options d'achat d'actions à compter de l'exercice 2011.

En lien avec la refonte du Group LTIP en 2003, des attributions d'options étaient effectuées chaque année le troisième jour ouvrable du mois d'avril. De plus, le prix d'exercice pour les options attribuées autrefois était fixé au cours du marché le jour précédant la date d'attribution. Les options attribuées en fonction de la performance étaient considérées en vue d'une acquisition à raison de versements par tiers échelonnés sur les trois années qui suivent leur octroi.

Pour éviter que les cadres ne perdent la valeur de leurs options, en 2011, le Conseil d'administration a approuvé une transaction d'exercice et vente automatique pour toutes les options dans le cours à la fin de la période d'exercice. Dans le cas contraire, leurs bénéficiaires essuieraient une perte s'il leur était interdit de négocier les options dans le cas où ils auraient connaissance d'informations susceptibles d'en influencer le cours.

Dans le cadre du programme d'options d'achat d'actions, le nombre total d'actions sous option pour les membres du GEC au 31 décembre 2013 et 2012, respectivement, figure dans les tableaux ci-dessous.

Résumé de l'encours des options en 2013

au 31 décembre 2013 Année d'attribution	Nombre d'options acquises	Nombre d'options non acquises	Nombre total d'actions sous option	Prix d'exercice par action, en CHF	Année d'échéance
2010	197 544	–	197 544	259.90	2017
2009	75 937	–	75 937	198.10	2016
2008	77 348	–	77 348	336.50	2015
2007	78 190	–	78 190	355.75	2014
Total	**429 019**	**–**	**429 019**		

Résumé de l'encours des options en 2012

au 31 décembre 2012 Année d'attribution	Nombre d'options acquises	Nombre d'options non acquises	Nombre total d'actions sous option	Prix d'exercice par action, en CHF	Année d'échéance
2010	145 649	59 453	205 102	259.90	2017
2009	82 728	–	82 728	198.10	2016
2008	79 893	–	79 893	336.50	2015
2007	80 506	–	80 506	355.75	2014
2006	50 744	–	50 744	308.00	2013
Total	**439 520**	**59 453**	**498 973**		

Toutes les options susmentionnées permettent à leur détenteur de souscrire une action de Zurich Insurance Group SA au prix d'exercice indiqué, assortie de droit de vote et de droit aux dividendes.

Actions et options d'achat d'actions détenues par les membres du Comité exécutif du Groupe

Le tableau suivant détaille les participations réelles des membres du GEC sous forme d'actions et d'options d'achat d'actions au 31 décembre 2013 et 2012. En plus des actions achetées sur le marché, les chiffres comprennent les actions acquises, qu'elles soient bloquées à la vente ou non, et les options d'achat d'actions acquises au titre du Group LTIP. Toutefois, le tableau ne comprend pas les intérêts des membres du GEC sur leur participation sous forme d'actions liées à la performance encore non acquises ou d'actions bloquées non acquises.

Tous les intérêts sont détenus en compte propre et englobent les actions ou les options d'achat d'actions détenues par des parties liées aux membres du GEC.

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Actions et options d'achat d'actions détenues par les membres du GEC [1]

Nombre d'actions et d'options d'achat acquises, au 31 décembre	2013		2012	
	Actions	**Options acquises[2]**	Actions	Options acquises[2]
M. Senn, Chief Executive Officer	41 392	107 212	29 719	103 447
J. Dailey, CEO Farmers Group, Inc.	3 564	17 605	2 373	14 987
M. Foley, Chief Executive Officer North America Commercial et Regional Chairman of the Americas	8 679	59 404	9 306	52 710
Y. Hausmann, Group General Counsel	5 644	10 193	3 728	7 301
K. Hogan, ancien CEO Global Life[3]	n/a	n/a	3 080	13 032
M. Kerner, CEO General Insurance	9 090	21 588	8 469	24 432
A. Lehmann, Chief Risk Officer et Regional Chairman of Europe	27 955	79 559	23 128	84 640
M. Nordlin, Group Head of Operations par intérim[4]	5 288	11 322	n/a	n/a
C. Reyes, Chief Investment Officer	8 041	25 922	4 823	22 012
G. Riddell, Regional Chairman of Asia-Pacific & Middle East	27 840	67 171	25 002	73 136
V. Sharma, Chief Financial Officer par intérim[5]	3 988	8 741	n/a	n/a
K. Terryn, CEO Global Life	7 086	20 302	4 324	20 540
P. Wauthier, ancien Chief Financial Officer[6]	n/a	n/a	4 947	23 283
Total	**148 567**	**429 019**	118 899	439 520

[1] Aucun des membres du GEC ou des parties qui leur sont liées ne détenait plus de 0,5% des droits de vote au 31 décembre 2013 ou 2012, que ce soit directement ou par le biais d'options sur actions.
[2] La répartition des options acquises au titre des primes recensées dans les tableaux «Résumé de l'encours des options» est présentée dans le tableau ci-dessous.
[3] M. Hogan a quitté ses fonctions le 1er août 2013 et son contrat de travail est arrivé à terme le 12 octobre 2013.
[4] M. Nordlin, actuellement Chief Information Officer, a assumé la responsabilité de Group Operations par intérim, succédant à M. Terryn, avec effet au 14 août 2013. Il n'était pas membre du GEC auparavant.
[5] M. Sharma, actuellement Group Controller, a assumé la responsabilité de Group Finance par intérim, succédant à M. Wauthier, avec effet au 26 août 2013. Il n'était pas membre du GEC auparavant.
[6] M. Wauthier est décédé le 26 août 2013.

Les tableaux suivants présentent la répartition des options d'achat d'actions acquises détenues par les membres du GEC en fonction des attributions recensées dans les tableaux «Résumé de l'encours des options» au 31 décembre 2013 et 2012, respectivement.

Répartition des options d'achat d'actions acquises en 2013

Nombre d'options d'achat d'actions acquises au 31 décembre 2013	Année d'attribution				Total
	2010	**2009**	**2008**	**2007**	
M. Senn	54 883	16 035	17 094	19 200	107 212
J. Dailey	9 231	3 284	5 090	n/a	17 605
M. Foley	23 601	13 640	11 568	10 595	59 404
Y. Hausmann	10 193	n/a	n/a	n/a	10 193
M. Kerner	7 637	4 414	4 210	5 327	21 588
A. Lehmann	29 402	16 035	17 094	17 028	79 559
M. Nordlin[1]	4 699	2 182	2 082	2 359	11 322
C. Reyes	19 601	2 115	2 256	1 950	25 922
G. Riddell	21 963	12 255	14 330	18 623	67 171
V. Sharma[2]	7 553	1 188	n/a	n/a	8 741
K. Terryn[3]	8 781	4 789	3 624	3 108	20 302
P. Wauthier[4]	n/a	n/a	n/a	n/a	n/a
Total	**197 544**	**75 937**	**77 348**	**78 190**	**429 019**

[1] M. Nordlin, actuellement Chief Information Officer, a assumé la responsabilité de Group Operations par intérim, succédant à M. Terryn, avec effet au 14 août 2013. Il n'était pas membre du GEC auparavant.
[2] M. Sharma, actuellement Group Controller, a assumé la responsabilité de Group Finance par intérim, succédant à M. Wauthier, avec effet au 26 août 2013. Il n'était pas membre du GEC auparavant.
[3] M. Terryn, ancien Group Head of Operations, a été nommé CEO Global Life à compter du 14 août 2013.
[4] M. Wauthier est décédé le 26 août 2013.

Répartition des options d'achat d'actions acquises en 2012

Nombre d'options d'achat d'actions acquises au 31 décembre 2012	Année d'attribution					Total
	2010	2009	2008	2007	2006	
M. Senn	39 316	16 035	17 094	19 200	11 802	103 447
J. Dailey[1]	6 613	3 284	5 090	n/a	n/a	14 987
M. Foley	16 907	13 640	11 568	10 595	n/a	52 710
Y. Hausmann[2]	7 301	n/a	n/a	n/a	n/a	7 301
K. Hogan	7 212	5 820	n/a	n/a	n/a	13 032
M. Kerner[3]	5 471	4 414	4 210	5 327	5 010	24 432
A. Lehmann	21 063	16 035	17 094	17 028	13 420	84 640
C. Reyes	14 041	2 115	2 256	1 950	1 650	22 012
G. Riddell	15 734	12 255	14 330	18 623	12 194	73 136
K. Terryn	6 290	4 789	3 624	3 108	2 729	20 540
P. Wauthier	5 701	4 341	4 627	4 675	3 939	23 283
Total	**145 649**	**82 728**	**79 893**	**80 506**	**50 744**	**439 520**

[1] M. Dailey a été nommé au GEC le 1er janvier 2012.
[2] M. Hausmann a été nommé au GEC le 1er juillet 2012.
[3] M. Kerner a été nommé au GEC le 1er septembre 2012.

Plans de négoce

Afin de faciliter la vente d'actions et l'exercice d'options pour les membres du GEC, le Conseil d'administration a approuvé la mise en place de plans de négoce en vigueur depuis 2008. Ces plans permettent aux membres de vendre des actions et/ou de lever des options d'achat d'actions dans le cadre d'un programme de transactions prédéfini. Les plans de négoce ne peuvent être établis que lorsque la personne ne dispose pas d'informations confidentielles sur le Groupe susceptibles d'influencer le cours de l'action. En outre, la première transaction dans le cadre d'un plan de négoce ne peut être réalisée que trois mois après la date où il a été créé. Les modalités des transactions doivent être définies et ne peuvent être modifiées. Tous les plans de négoce des membres requièrent l'approbation du président du Conseil d'administration. Une fois convenues, les transactions ont lieu à un rythme mensuel, y compris pendant les périodes de clôture des comptes du Groupe. Les plans de négoce établis pour un membre du GEC sont signalés à la SIX Swiss Exchange, conformément aux règles de publication des transactions. En 2011, le Conseil d'administration a approuvé l'extension du concept de plan de négoce à certains cadres qui, de par la nature de leurs fonctions, se voient souvent interdire le négoce des actions Zurich. Aucun plan de négoce n'était en cours au 31 décembre 2013. En outre, aucun plan de négoce n'a été initié en 2013 ni en 2012.

Honoraires et rémunérations supplémentaires des membres du Comité exécutif du Groupe

Aucun des membres du GEC n'a perçu d'autres rémunérations que celles mentionnées ci-dessus, de la part du Groupe ou de l'une des sociétés du Groupe en 2013 et en 2012.

Prêts personnels aux membres du Comité exécutif du Groupe

Au 31 décembre 2013 et 2012, aucun encours de prêt, d'avance ou de crédit n'était recensé en faveur des membres du GEC.

Prêts personnels aux anciens membres du Comité exécutif du Groupe

Les anciens membres du GEC sont habilités à poursuivre leurs prêts hypothécaires après leur retraite dans les mêmes conditions que celles qui prévalaient lorsqu'ils étaient salariés, conformément aux conditions susmentionnées applicables aux collaborateurs de Zurich en Suisse.

Au 31 décembre 2013 et 2012, aucun ancien membre du GEC n'avait d'encours de prêts, d'avances ou de crédit.

Parties liées aux membres ou à d'anciens membres du Comité exécutif du Groupe

Aucun avantage (ou abandon de créance) n'a été accordé à des parties liées aux membres du GEC ou à des parties liées aux anciens membres du GEC au cours des années 2013 et 2012. Par ailleurs, aucune partie liée aux membres du GEC ou à d'anciens membres du GEC ne bénéficiait d'encours de prêt, d'avance ou de crédit au 31 décembre 2013 et 2012.

Rapport sur les rémunérations *suite*

Tous les collaborateurs

La section suivante contient les informations relatives à la rémunération totale perçue par les collaborateurs au cours de l'exercice 2013 dans toutes les sociétés du Groupe, y compris la rémunération des membres du GEC, conformément aux exigences de divulgation supplémentaires présentées dans la circulaire de la FINMA sur les systèmes de rémunération, en vigueur depuis 2010. Le Groupe comptait 55 102 et 55 312 salariés (équivalent temps plein) aux 31 décembre 2013 et 2012, respectivement.

Rémunération fixe

La rémunération fixe comprend les salaires de base, les autres rémunérations et les coûts de services des prestations de retraite.

Rémunération fixe

en millions d'USD, pour les exercices arrêtés au 31 décembre	2013	2012
Salaires de base	4 092	4 036
Valeur des autres rémunérations[1]	643	628
Coûts de service des prestations de retraite[2]	513	476
Rémunération fixe totale	**5 248**	5 140

[1] Inclut les avantages du personnel tels que les couvertures santé et soins dentaires et autres avantages annexes, etc.
[2] Représente la valeur actuelle des prestations déterminées provenant des régimes de retraite et post-retraite, ainsi que les contributions des employeurs aux régimes à cotisations déterminées découlant de l'emploi du collaborateur au cours de l'exercice comptable. Le montant inclus dans cette somme au titre des régimes à prestations déterminées est le résultat d'un calcul actuariel et est susceptible de varier d'une année sur l'autre en fonction des conditions économiques. Ces chiffres sont expliqués plus en détail dans la note 22 des Consolidated financial statements.

Rémunération variable:

Sur la base des recommandations du Comité de rémunération, le Conseil d'administration approuve le montant cumulé de l'enveloppe globale de rémunération variable pour l'année de performance. Cela comprend:

- Le montant total des primes en espèces à verser pour l'année de performance, qui comprend à la fois le montant des enveloppes cumulées au titre du Group STIP et les sommes à verser au titre des plans locaux d'incitation à court terme.
- Le montant des primes cibles d'incitation à long terme octroyées en cours d'année dans l'hypothèse que les primes seront acquises à 100% dans le futur.
- Le montant total des primes de bienvenue accordées en 2013 aux personnes embauchées en 2013.
- Le montant total des primes de départ accordées en 2013 aux personnes dont le contrat s'est terminé en 2013.

Par principe, le Groupe n'accorde pas de primes de bienvenue ni d'indemnités de départ. Toutefois, si les circonstances l'exigent et que cette pratique sert les intérêts du Groupe, des processus d'approbation bien définis sont suivis.

Les chiffres n'incluent aucuns frais ou crédit provenant de la rémunération versée au cours de l'exercice 2013 et découlant des exercices précédents.

Les commissions versées aux agents commerciaux salariés ne sont pas incluses dans le calcul de l'enveloppe globale de rémunération variable. Les programmes de commissionnement à la vente des agents commerciaux salariés ne sont pas considérés comme une composante des programmes de primes d'incitation liées à la rentabilité. Les commissions de vente comme celles versées à un courtier ou à d'autres distributeurs externes, constituent un coût de distribution. Les agents commerciaux salariés ne génèrent pas de risques financiers car ils ne sont pas impliqués dans la fixation des prix des produits qu'ils vendent. En ce qui concerne les risques d'exploitation et de réputation, notamment dans l'hypothèse d'une vente abusive, leur contrôle est garanti par le respect obligatoire à l'échelle du Groupe de la politique de Zurich en matière de risque (Zurich Risk Policy) et des Zurich Basics, le code de conduite du Groupe.

Pour fixer le montant de l'enveloppe globale de rémunération variable, le Conseil d'administration examine la performance économique à long terme du Groupe, ainsi que d'autres facteurs pertinents. Le bénéfice économique moyen est obtenu en soustrayant du bénéfice d'exploitation ajusté après impôts le rendement requis du capital économique, basé sur le coût moyen pondéré du capital. A cet égard, le Groupe a dégagé un bénéfice économique sur le long terme qui excède le montant réel de l'enveloppe consacrée à la rémunération variable.

Rémunération variable

en millions d'USD, pour les exercices arrêtés au 31 décembre	2013	2012
Primes en espèces octroyées durant l'exercice[1]	530	474
Valeur des actions attribuées pendant l'exercice en fonction de la performance cible[2,3]	138	134
Enveloppe de rémunération variable totale	**668**	608

[1] Primes de bienvenue et indemnités de départ (en espèces) comprises.
[2] Primes de bienvenue (en actions) comprises.
[3] Les actions attribuées seront remises à l'avenir en fonction du degré de réalisation de la performance cible. La valeur des actions est indiquée pour une distribution future correspondant à 100% des objectifs fixés, l'évaluation des actions attribuées en fonction de la performance cible reposant sur le cours de l'action la veille de leur distribution (267.30 CHF pour 2013 et 225.90 CHF pour 2012). Les charges figurant dans les états financiers peuvent être calculées sur une base d'attribution différente.

Le nombre total de collaborateurs percevant une rémunération variable avoisinait 50 000 en 2013 (46 000 en 2012). En ce qui concerne le plan d'incitation à court terme du Groupe (STIP du Groupe), en 2013, l'augmentation globale de la rentabilité s'est traduite par un paiement moyen de 101% de l'objectif (contre 91% de l'objectif attribué au titre de 2012), sachant que plus de 38 000 collaborateurs participent au plan.

La valeur des attributions cible d'actions dans le cadre du plan d'incitation à long terme du Groupe (LTIP) de 134,2 millions d'USD en 2013 partant de l'hypothèse d'un taux d' acquisition correspondant à 100% de l'objectif en 2014, 2015 et 2016, est incluse dans l'enveloppe de rémunération variable totale 2013. Compte tenu de l'acquisition effective pour la période 2011–2013, le Conseil d'administration a étudié les résultats dans le contexte de la performance et de la performance globale de la société. Dans le cadre des efforts d'évaluation indépendante des mesures de la performance du LTIP à compter du 1er janvier 2014 et en reconnaissance du caractère général de cette pratique de marché, le Conseil d'administration a adopté cette méthode pour toutes les décisions d'acquisition du LTIP en 2014. Une acquisition correspondant à l'objectif a été effectuée au titre des résultats du ROE et une moyenne de 11,9% par an a été obtenue sur les trois ans. Cependant, aucune acquisition n'a eu lieu au titre du rendement total pour les actionnaires (TSR) dont le résultat s'est inscrit dans le troisième quartile du groupe de pairs malgré un rendement cumulé positif de 28% au cours des trois ans. Le niveau d'acquisition global a donc été défini à 50% de l'objectif d'attribution, contre un niveau d'acquisition de 97% de l'objectif d'attribution arrêté l'année dernière au titre de la période de performance 2010 à 2012. Cela se traduit par une valeur réalisable effective de 62,1 millions d'USD sur la base du nombre d'actions acquises et du cours de clôture des actions de 258.50 CHF au 31 décembre 2013. Par conséquent, la rémunération variable totale effective sur la période clôturée au 31 décembre 2013 était inférieure de 72,1 millions d'USD aux 668 millions d'USD présentées dans le tableau ci-dessus.

Rémunération totale

La somme des rémunérations variable et fixe donne le total suivant pour l'ensemble des collaborateurs:

Rémunération totale

en millions d'USD, pour les exercices arrêtés au 31 décembre	2013	2012
Espèces (fixe)	4 092	4 036
Espèces (variable)[1]	530	474
Actions[2]	138	134
Autres[3]	1 156	1 104
Rémunération totale	**5 916**	5 748

[1] Inclut les primes en espèces, les primes de bienvenue et les indemnités de départ en espèces.
[2] Inclut les attributions d'actions liées à la performance et les primes de bienvenue en actions.
[3] Inclut les autres rémunérations et les prestations de retraite.

Valeur de l'encours de rémunération différée

Le système de rémunération du Groupe prévoit des instruments d'étalement de la rémunération. Le tableau suivant donne un aperçu de la valeur globale de l'encours de rémunération différée au 31 décembre 2013 et 2012:

Rapport sur les rémunérations *suite*

Valeur de l'encours de rémunération différée

en millions d'USD, pour les exercices arrêtés au 31 décembre	**2013**	2012
Attributions d'actions liées à la performance non acquises	236	225
Attributions d'options liées à la performance non acquises	–	7
Attributions d'actions bloquées non acquises	9	7
Actions acquises mais dont la vente est bloquée	137	140
Valeur de l'encours global de rémunération différée	**382**	379

La valeur de la rémunération différée a été calculée en multipliant le nombre d'actions et d'options restant à verser par les cours respectifs de l'action et de l'option à la date d'origine de l'attribution et dans l'hypothèse d'un taux d'acquisition de 100%.

Impact sur le bénéfice net 2013 et 2012 de la rémunération accordée les années précédentes
Dans le cadre du plan Group LTIP, un calcul est réalisé à la date d'acquisition pour déterminer le nombre réel d'actions et d'options à distribuer aux bénéficiaires du plan par rapport au nombre prévu à l'origine au moment de la date d'octroi. Tout écart de valeur est reflété dans le compte de résultat consolidé de l'année d'acquisition. Pour les actions et options acquises en 2013 et en 2014, une réduction des charges à hauteur de 108 millions d'USD a été incluse dans le compte de résultat 2013 pour refléter la performance actuelle par rapport aux estimations d'origine. En 2012, aucune différence tangible n'a été constatée entre le montant estimé et celui avéré.

Primes de bienvenue et indemnités de départ pour les Key Risk Takers
Tel que mentionné ci-dessus, par principe, le Groupe n'accorde pas de primes de bienvenue ni d'indemnités de départ. Toutefois, si les circonstances l'exigent et que cette pratique sert les intérêts du Groupe, ces versements peuvent être approuvés à l'issue d'un processus de gouvernance bien défini. En ce qui concerne la divulgation des primes de bienvenue et des indemnités de départ en faveur des personnes occupant des postes clés impliquant une prise de risques, des primes de bienvenue et indemnités de départ suivantes ont été versées en 2013 et en 2012:

Primes de bienvenue et indemnités de départ pour les Key Risk Takers

en millions d'USD, pour les exercices arrêtés au 31 décembre	**2013**		2012	
	Montant[3] (en millions d'USD)	**Nombre de bénéficiaires**	Montant[3] (en millions d'USD)	Nombre de bénéficiaires
Primes de bienvenue/nombre de bénéficiaires[1]	2	4	3	6
Indemnités de départ/nombre de bénéficiaires[2]	0,6	1	2	5

[1] Les «primes de bienvenue» sont des paiements (versés immédiatement ou progressivement) convenus à l'exécution d'un contrat de travail.
[2] Les «indemnités de départ» sont des indemnités versées à l'occasion de la cessation d'un contrat de travail. Zurich n'inclut pas dans les «indemnités de départ» la rémunération des salariés dispensés de prestation du préavis ou les paiements similaires au profit des collaborateurs dans les juridictions où ces paiements sont exigés par la législation en vigueur ou lorsqu'ils sont fondés sur les périodes de préavis contractuelles conformes aux pratiques reconnues sur le marché ou bien ils sont non contractuels mais conformes aux pratiques reconnues sur le marché. En revanche, Zurich inclut la rémunération des salariés dispensés de prestation du préavis ou les paiements similaires qui vont au-delà des pratiques reconnues sur le marché, qu'ils soient versés selon les termes d'un contrat ou à titre gracieux.
[3] A cet égard, le terme «paiements» englobe les espèces, actions, avantages et primes d'un précédent employeur auxquels le salarié a renoncé ou toute autre valeur pécuniaire.

Modifications apportées au plan d'incitation à long terme (LTIP) en 2014

En 2013, le Comité de rémunération a étudié la structure et le fonctionnement du LTIP. Cette étude visait à vérifier que le LTIP

- tient compte des meilleures pratiques les plus récentes dans le secteur de l'assurance au Royaume-Uni, aux Etats-Unis, en Europe et en Suisse ainsi que de l'opinion des conseillers mandatés et des actionnaires;
- permet la réalisation des objectifs stratégiques à long terme et la création de valeur pour les actionnaires; et
- contribue à une performance durable et à recruter, fidéliser et motiver des dirigeants talentueux.

Principales caractéristiques du nouveau LTIP en 2014

Sur la base des recommandations du Comité de rémunération, le Conseil d'administration a approuvé un certain nombre de modifications du LTIP en date du 12 février 2014. Les principales caractéristiques du nouveau LTIP au 1^{er} janvier 2014 sont décrites ci-dessous.

Mesures de la performance

Le LTIP continue d'être attribué sous forme d'actions cibles basées sur la performance (actions cibles), l'acquisition de ces actions cibles étant conditionnée par des éléments de performance spécifiques sur une période de trois ans. Les mesures de la performance seront alignées sur les nouveaux objectifs stratégiques du Groupe pour 2014–2016. Pour prendre les décisions relatives à l'acquisition, la performance du Groupe sera évaluée au moyen d'une balanced scorecard portant sur le rendement total pour les actionnaires (TSR) relatif, le rendement du bénéfice net attribuable aux actionnaires sur les fonds propres ordinaires (NIAS ROE) et les versements en espèces. Chacune de ces trois mesures sera évaluée séparément sur la période de trois ans et représentera un tiers du résultat final. Les mesures seront calibrées comme suit:

Grille d'acquisition du plan d'incitation à long terme pour la période 2014–2016, à compter du 1^{er} janvier 2014

	0% d'acquisition	50% d'acquisition	100% d'acquisition	150% d'acquisition	200% d'acquisition
Position TSR relative	13^{e}– 18^{e}	10^{e}– 12^{e}	7^{e}–9^{e}	4^{e}–6^{e}	1^{e}–3^{e}
	0% d'acquisition	50% d'acquisition	100% d'acquisition	150% d'acquisition	200% d'acquisition
NIAS ROE[1]	<9,75% par an	9,75% par an	12% par an	13,125% par an	≥14,25% par an
Versements en espèces	0% d'acquisition	50% d'acquisition	100% d'acquisition	150% d'acquisition	200% d'acquisition
	<8,0 milliards d'USD	8,0 milliards d'USD	9 milliards d'USD	9,5 milliards d'USD	≥10,0 milliards d'USD

[1] Conformément à la méthode utilisée pour calculer le ROE à compter du 1^{er} janvier 2014, le calcul des fonds propres ne tiendra pas compte des gains et pertes d'investissement non réalisés.

Le Comité de rémunération s'est penché sur les sociétés devant être prises en compte dans l'évaluation du TSR relatif pour s'assurer que le groupe de pairs présente une forte corrélation au TSR et reflète le profil d'affaires et la répartition géographique du Groupe. A l'issue de cet examen, les 18 sociétés suivantes, incluses dans l'indice Dow Jones Insurance Titans 30, ont été sélectionnées pour évaluer la performance du TSR au 1^{er} janvier 2014: Ace, AIG, Allianz, Allstate, Aviva, AXA, Chubb, Generali, Legal & General, Manulife Financial Corp., Met Life, Munich Re, Progressive Ohio, Prudential Plc, QBE, Swiss Re, Travelers Cos. Inc. et Zurich. Le TSR est calculé en francs suisses pour toutes les sociétés.

Période d'acquisition, de performance et de détention

En 2013 et au cours des exercices antérieurs, le LTIP incluait une acquisition annuelle échelonnée des attributions en trois tranches égales à la fin des première, deuxième et troisième années suivant l'attribution. La performance était mesurée sur les trois exercices financiers terminés pendant l'exercice précédant immédiatement chaque date d'acquisition. La moitié des actions acquises étaient bloquées à la vente pendant trois ans à compter de chacune des dates d'acquisition respectives. L'approche du LTIP 2013 est décrite plus en détail aux pages 81 à 82.

A compter du 1^{er} janvier 2014, le Conseil d'administration a décidé de mettre en place un «délai d'acquisition de trois ans». Cette approche est plus conforme à la pratique en vigueur sur le marché, l'acquisition de la totalité de l'attribution LTIP étant reportée au troisième anniversaire de la date de l'attribution. La performance sera mesurée une période de trois exercices démarrant par l'année de l'attribution. Ainsi le LTIP sera plus en accord avec la nouvelle stratégie du Groupe et ses objectifs à long terme.

Rapport sur les rémunérations *suite*

En plus de la période d'acquisition prolongée d'une acquisition en bloc à trois ans, les participants au LTIP devront continuer de détenir la moitié de toutes les actions acquises pendant une période supplémentaire de trois ans suivant la date de l'octroi. Ces mesures se traduiront par une période d'acquisition et de détention totale de six ans pour cette partie de la prime.

Equivalents de dividendes
Suite à leur étude des pratiques actuellement en vigueur sur le marché en matière de LTIP, le Comité de rémunération et le Conseil d'administration ont aussi envisagé de verser des équivalents de dividendes pendant la période d'acquisition. Sur la base de cette étude et au vu de la valeur significative du dividende, pour aligner davantage le traitement des dirigeants sur les intérêts des actionnaires, il a été décidé qu'il serait possible, à partir de l'attribution du LTIP 2014, d'attribuer des actions supplémentaires aux participants à la date de l'acquisition afin de compenser les dividendes versés durant la période d'acquisition.

- Le nombre d'actions supplémentaires à créditer tient compte des dividendes versés aux actionnaires entre la date d'attribution et la date d'acquisition.

- Le dividende en espèces est calculé sur la base du nombre d'actions cibles attribuées à la date d'attribution et converti en actions supplémentaires sur la base du cours de l'action avant le paiement du dividende.

- A la date d'acquisition, le nombre initial d'actions cibles ainsi que le nombre d'actions cibles «équivalant à des dividendes» seront évalués à des fins d'acquisition sur la base des performances réalisées par rapport à la grille d'acquisition. Ainsi, seul le nombre d'actions acquises donnera droit à l'attribution d'équivalents de dividendes. Par ailleurs, aucun dividende ne sera accordé sur les actions «équivalant à des dividendes».

Accords de transition

Pendant la période durant laquelle le nouveau système d'acquisition sera mis en place, le potentiel de bénéfice cible total sera réduit par rapport au système d'acquisition du LTIP précédent. Sont concernés les participants ayant rejoint le LTIP avant 2014. Le Conseil d'administration a donc décidé de conclure divers accords de transition afin de permettre à ces participants au LTIP de garder leur potentiel de bénéfice cible cumulatif pendant la période de transition.

Echéancier 2014 des attributions et acquisitions LTIP
Dans le cadre de la transition vers une acquisition en bloc après un délai trois ans, l'attribution du LTIP 2014 sera acquise à hauteur d'un tiers après deux ans (en 2016) et de deux tiers après trois ans (en 2017). A partir des attributions 2015, une acquisition de 100% de l'attribution après un délai de trois ans s'appliquera.

Application du nouveau cadre de performance pour les décisions relatives à l'acquisition en 2015 et 2016
Le nouveau cadre de performance décrit dans cette section sera aussi utilisé pour évaluer les décisions d'acquisition en 2015 et 2016 des tranches attribuées en 2012, 2013 et 2014 qui feront l'objet d'une évaluation en vue de leur acquisition ces années-là. Au 1er janvier 2014, tous les participants au LTIP sont ainsi focalisés sur le nouvel ensemble de mesures de la performance et de grilles d'acquisition.

En raison du potentiel de volatilité au cours d'une année, l'évaluation de la performance des versements en espèces n'est représentative que sur une période de trois ans. Par conséquent, pour les décisions relatives à l'acquisition en 2015 et 2016, la mesure des versements en espèces sera remplacée par le rendement du bénéfice d'exploitation (après impôts) sur les fonds propres ordinaires (BOPAT ROE). La mesure du BOPAT ROE met davantage l'accent sur la rentabilité en conformité avec la stratégie du Groupe et sera évaluée au moyen de la même grille d'acquisition que celle du NIAS ROE, telle que présentée dans le tableau ci-dessus à la page 97.

Attribution transitoire
Etant donné la transition vers une acquisition en bloc après un délai de trois ans et l'échéancier d'acquisition décrit ci-dessus pour l'attribution du LTIP 2014, le Comité de rémunération a constaté que pendant la période de transition, les opportunités de bénéfice cible restaient moins importantes qu'avec une acquisition par tranches annuelles pour les participants au LTIP ayant rejoint le plan avant 2014. Après avoir envisagé plusieurs solutions, le Conseil d'administration a décidé de combler cette lacune par l'attribution d'actions liées à la performance supplémentaires en 2014 (attribution transitoire). Cette attribution, d'une valeur égale à celle de l'attribution 2014 du LTIP, sera évaluée à des fins d'acquisition en trois tranches égales en 2015, 2016 et 2017. L'attribution transitoire garantit que les participants au LTIP garderont leur opportunité de bénéfice cible cumulative pendant la période de transition.

En étudiant des solutions de transition pour les membres du GEC, le Conseil d'administration cherchait à s'assurer qu'ils soient davantage alignés sur les actionnaires à long terme. Le Conseil d'administration a donc décidé de verser l'attribution transitoire en deux fois, et en trois fois dans le cas du CEO, au lieu de procéder à une seule attribution. Pour les membres du GEC, ces deux attributions seront acquises entre 2015 et 2018. Pour le CEO, ces trois attributions seront acquises entre 2015 et 2019. Le tableau suivant illustre l'attribution transitoire et l'échéancier de l'acquisition.

Attribution transitoire en actions liées à la performance destinée aux participants existants au LTIP

	Année d'acquisition[1]					
	2014	2015	2016	2017	2018	2019
Attribution transitoire aux participants au LTIP (hors GEC)						
Attribution en 2014		1/3e acquis	1/3e acquis	1/3e acquis		
Attribution transitoire au GEC (hors CEO)						
Moitié de l'attribution en 2014		1/6e acquis	1/6e acquis	1/6e acquis		
Moitié de l'attribution en 2015			1/6e acquis	1/6e acquis	1/6e acquis	
Attribution transitoire au CEO						
1/3 de l'attribution en 2014		1/9e acquis	1/9e acquis	1/9e acquis		
1/3 de l'attribution en 2015			1/9e acquis	1/9e acquis	1/9e acquis	
1/3 de l'attribution en 2016				1/9e acquis	1/9e acquis	1/9e acquis

[1] La moitié des actions acquises sont soumises à la restriction de vente pendant trois ans. En d'autres termes, la dernière restriction sur l'attribution transitoire sera levée en 2021 et en 2022 respectivement pour les membres du GEC et pour le CEO.

Le niveau d'acquisition pour les attributions transitoires sera évalué sur la base de la performance effective du Groupe en la comparant aux mesures de la performance indiquées ci-dessus dans la grille d'acquisition. Avec cette solution de transition, le Conseil d'administration a fait en sorte que toutes les attributions acquises en 2015, 2016 et 2017 soient basées sur la performance du Groupe. Les restrictions de vente pendant trois ans qui s'appliquent aux actions acquises dans le cadre du LTIP ordinaire s'appliqueront aussi aux attributions transitoires. Aucun équivalent de dividendes ne sera accordé au titre de la transition. Dans leur ensemble, les modifications du LTIP, y compris les accords de transition, devraient être financées dans le cadre des charges ordinaires liées au LTIP.

Group performance review

In this section

Operating and financial review

The Operating and financial review is the management analysis of the business performance of Zurich Insurance Group Ltd and its subsidiaries, collectively the Group, for the year ended December 31, 2013, compared with 2012. It also explains key aspects of the Group's financial position as of the end of 2013.

Contents

The information contained within the Operating and financial review is unaudited and is based on the consolidated results of the Group for the years ended December 31, 2013 and 2012 and the financial position as of December 31, 2013 and December 31, 2012. All amounts are shown in U.S. dollars and rounded to the nearest million unless otherwise stated, with the consequence that the rounded amounts may not add up to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts. This document should be read in conjunction with the Annual Report 2013 of the Group and, in particular, with its Consolidated financial statements as of December 31, 2013. Certain comparative figures have been restated, as set out in note 1 of the Consolidated financial statements.

In addition to the figures stated in accordance with the International Financial Reporting Standards (IFRS), the Group uses business operating profit (BOP), new business measures and other performance indicators to enhance the understanding of its results. Details of these additional measures are set out in the separately published Glossary and the Embedded value report. 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, see note 28 of the Consolidated financial statements.

Financial highlights

in USD millions, for the years ended December 31, unless otherwise stated	2013	2012[1]	Change[2]
Business operating profit	**4,680**	4,084	15%
Net income attributable to shareholders	**4,028**	3,887	4%
General Insurance gross written premiums and policy fees	**36,438**	35,610	2%
Global Life gross written premiums, policy fees and insurance deposits	**27,095**	30,259	(10%)
Farmers Management Services management fees and other related revenues	**2,810**	2,846	(1%)
Farmers Re gross written premiums and policy fees	**4,045**	4,361	(7%)
General Insurance business operating profit	**2,859**	2,112	35%
General Insurance combined ratio	**95.5%**	98.4%	2.9 pts
Global Life business operating profit	**1,272**	1,351	(6%)
Global Life new business annual premium equivalent (APE)[3]	**4,418**	4,030	10%
Global Life new business margin, after tax (as % of APE)[3]	**28.3%**	22.1%	6.2 pts
Global Life new business value, after tax[3]	**1,251**	890	41%
Farmers business operating profit	**1,516**	1,402	8%
Farmers Management Services gross management result	**1,353**	1,366	(1%)
Farmers Management Services managed gross earned premium margin	**7.2%**	7.3%	(0.1 pts)
Average Group investments	**208,431**	204,066	2%
Net investment result on Group investments	**7,398**	8,983	(18%)
Net investment return on Group investments[4]	**3.5%**	4.4%	(0.9 pts)
Total return on Group investments[4]	**1.3%**	7.0%	(5.7 pts)
Shareholders' equity	**32,503**	34,505	(6%)
Swiss Solvency Test capitalization ratio[5]	**206%**	185%	21 pts
Diluted earnings per share (in CHF)	**25.23**	24.72	2%
Book value per share (in CHF)	**196.14**	214.86	(9%)
Return on shareholders' equity (ROE)	**12.0%**	11.8%	0.2 pts
Business operating profit (after tax) return on shareholders' equity (BOPAT ROE)	**10.5%**	9.3%	1.2 pts

1 December 31, 2012 has been restated as set out in note 1 of the Consolidated financial statements.
2 Parentheses around numbers represent an adverse variance.
3 New business amounts are calculated on embedded value principles before the effect of non-controlling interests. See Embedded value report for details of these principles. New business amounts for the year ended December 31, 2012 do not include Zurich Santander or new operations in Asia (including Zurich Insurance Malaysia Berhad – ZIMB).
4 Calculated on average Group investments.
5 Ratios as of July 1, 2013 and January 1, 2013, respectively, are calculated based on the Group's internal model, which is subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA).

Operating and financial review *continued*

Performance overview for the year ended December 31, 2013

The Group delivered solid results in all core businesses with overall business operating profit of USD 4.7 billion, an increase of USD 596 million or 15 percent compared with 2012. These results together with the Group's continued strong capital position have again enabled the Board of Directors to propose an attractive dividend of CHF 17.00 per share.

The performance in the core businesses was achieved through continued focus on profitability, underpinned by the sustained execution of the Group's product, underwriting and pricing strategies. The result also benefited from lower major catastrophe events in 2013, though this benefit was partly offset by a higher level of large and weather-related losses. Overall the performance has more than absorbed the impact of the decrease in investment income resulting from persistent low investment yields.

Improvement in profitability continued while the Group's focus on growth was maintained in its priority markets in both General Insurance and Global Life.

The Group's solvency measured on an economic basis as determined under the Swiss Solvency Test improved by 21 percentage points, rising to 206 percent as of July 1, 2013. Shareholders' equity decreased by USD 2.0 billion to USD 32.5 billion during 2013 including net income attributable to shareholders of USD 4.0 billion, and after a decrease in net unrealized gains on investments of USD 2.8 billion, and the dividend of USD 2.7 billion paid in April 2013.

Business operating profit increased by USD 596 million to USD 4.7 billion, or by 15 percent in both U.S. dollar terms and on a local currency basis.

- **General Insurance** business operating profit increased by USD 747 million to USD 2.9 billion, or by 35 percent both in U.S. dollar terms and on a local currency basis. The underlying loss experience and expenses improved in 2013 compared with 2012, with savings initiatives to reduce expenses reflected in a lower expense ratio. The business also benefited from lower major catastrophe events. These improvements were partly offset by an increase in large and weather-related losses. Investment income declined compared with 2012.

- **Global Life** business operating profit decreased by USD 80 million to USD 1.3 billion, or by 6 percent in U.S. dollar terms and 4 percent on a local currency basis. Increases in Latin America were more than offset by reductions in North America, Europe and Asia-Pacific and Middle East (APME). Improvements from the increased contribution from Zurich Santander, after non-controlling interests, and improvements in the expense and risk margins, were largely offset by a significant reduction in the investment margin and a lower level of positive special operating items, which included a charge of USD 30 million resulting from the closure of the agency distribution channel in Hong Kong.

- **Farmers** business operating profit increased by USD 114 million to USD 1.5 billion, or by 8 percent. This was due to an improved underwriting result in Farmers Re, benefiting from rate increases and the re-underwriting of business in the Farmers Exchanges, which are owned by their policyholders and managed by Farmers Group, Inc., a wholly owned subsidiary of the Group. **Farmers Management Services** business operating profit decreased by USD 38 million to USD 1.4 billion, mainly due to a decrease in management fees and other related revenues as well as lower investment income. This decrease was more than offset by the improved underwriting result in **Farmers Re** where business operating profit improved by USD 152 million to USD 125 million.

- **Other Operating Businesses** reported a business operating loss of USD 1.0 billion. This 14 percent deterioration compared with 2012 resulted mainly from decreased investment income in Holding and financing and several non-recurring items in the Headquarters result.

- **Non-Core Businesses** reported a business operating profit of USD 73 million compared with USD 129 million in 2012. This reduction resulted from a one-off gain in 2012 included in Other run-off.

Business volumes for the core business segments, comprising gross written premiums, policy fees, insurance deposits and management fees, decreased by USD 2.7 billion to USD 70.4 billion, or by 4 percent in U.S. dollar terms and 3 percent on a local currency basis.

- **General Insurance** gross written premiums and policy fees increased by USD 828 million to USD 36.4 billion, or by 2 percent in U.S. dollar terms and 3 percent on a local currency basis, led by markets where the Group has targeted growth.
- **Global Life** gross written premiums, policy fees and insurance deposits decreased by USD 3.2 billion to USD 27.1 billion, or by 10 percent both in U.S. dollar terms and on a local currency basis. Growth in gross written premiums in the higher-margin protection business was more than offset by an expected reduction in insurance deposits in the UK, due to discontinuation of low-margin single premium products in Private Banking Client Solutions.
- **Farmers Management Services** management fees and other related revenues of USD 2.8 billion decreased by USD 36 million, or by 1 percent, among other factors due to lower levels of fees on new business policies. **Farmers Re** gross written premiums decreased by 7 percent to USD 4.0 billion, reflecting a reduced participation in the quota share reinsurance agreements with the Farmers Exchanges, as well as a 2 percent reduction in gross written premiums in the Farmers Exchanges.

Net income attributable to shareholders increased to USD 4.0 billion, an increase of USD 141 million or 4 percent compared with 2012. The increase in business operating profit was partly offset by lower net capital gains on investments and by several non-recurring costs relating to the restructuring of business operations. **The shareholders' effective tax rate** was 24.9 percent for the year ended December 31, 2013, compared with 24.7 percent for the year ended December 31, 2012.

ROE of 12.0 percent and **BOPAT ROE** of 10.5 percent improved by 0.2 percentage points and 1.2 percentage points respectively compared with 2012 driven by the increased earnings. **Diluted earnings per share** increased by 2 percent to CHF 25.23 for the year ended December 31, 2013, compared with CHF 24.72 in 2012.

Operating and financial review *continued*

General Insurance

in USD millions, for the years ended December 31	2013	2012	Change
Gross written premiums and policy fees	36,438	35,610	2%
Net earned premiums and policy fees	29,769	29,195	2%
Insurance benefits and losses, net of reinsurance	(20,321)	(20,527)	1%
Net underwriting result	1,347	479	nm
Net investment income	2,217	2,516	(12%)
Net non-technical result (excl. items not included in BOP)	(799)	(901)	11%
Business operating profit	**2,859**	**2,112**	**35%**
Loss ratio	68.3%	70.3%	2.0 pts
Expense ratio	27.2%	28.0%	0.8 pts
Combined ratio	**95.5%**	**98.4%**	**2.9 pts**

in USD millions, for the years ended December 31	Business operating profit (BOP)		Combined ratio	
	2013	2012	2013	2012
Global Corporate	879	498	92.3%	99.1%
North America Commercial	972	699	95.3%	99.7%
Europe	1,009	702	94.5%	97.2%
International Markets	115	165	100.7%	98.7%
GI Global Functions including Group Reinsurance	(116)	49	nm	nm
Total	**2,859**	**2,112**	**95.5%**	**98.4%**

Business operating profit increased by USD 747 million to USD 2.9 billion, or by 35 percent in both U.S. dollar terms and on a local currency basis. The underwriting result improved by USD 868 million to USD 1.3 billion. Persistent low investment yields resulted in a decrease in net investment income, which was partly offset by increased investment capital gains recognized in business operating profit. Non-technical expenses were also lower as a result of several non-recurring items.

Gross written premiums and policy fees increased by USD 828 million to USD 36.4 billion, or by 2 percent in U.S. dollar terms and 3 percent on a local currency basis. Growth was achieved in Global Corporate, North America Commercial and in all International Markets. Premium growth was particularly strong in Global Corporate, both in North America and in Europe, as well as in North America Commercial, with the North American businesses benefiting from improving economic conditions and from the market environment, which continued to support rate increases. Premiums in International Markets, particularly on a local currency basis, increased as these businesses executed growth strategies.

The **net underwriting result** increased by USD 868 million to USD 1.3 billion, reflected in the 2.9 percentage points improvement in the combined ratio to 95.5 percent. The net underwriting result benefited from improvements in the underlying loss experience as well as from lower major catastrophe events. The improvement also reflected a higher level of favorable development of reserves established in prior years. These positive developments were partly offset by an increase in both large and weather-related losses. The expense ratio improved as the business continued to focus successfully on achieving savings in other underwriting expenses in mature markets while investing in priority markets.

Global Corporate

in USD millions, for the years ended December 31	2013	2012	Change
Gross written premiums and policy fees	9,264[1]	8,609	8%
Net underwriting result	466	50	nm
Business operating profit	**879**	**498**	**77%**
Loss ratio	73.6%	78.0%	4.5 pts
Expense ratio	18.8%	21.1%	2.3 pts
Combined ratio	**92.3%**	**99.1%**	**6.8 pts**

[1] including internal business transfers from North America Commercial

Business operating profit increased by USD 381 million to USD 879 million due to the increase in the underwriting result. Persistent low investment yields resulted in a decrease in net investment income, which was partly offset by increased investment capital gains recognized in business operating profit, primarily in the U.S.

Gross written premiums and policy fees increased by USD 655 million to USD 9.3 billion, or by 8 percent in both U.S. dollar terms and on a local currency basis. Internal business transfers from North America Commercial begun in 2012 accounted for approximately 1 percent of this growth. Strong renewals and new business production levels were achieved in both Europe and North America despite a continued focus on achieving rate increases and profitable underwriting. Rates increased by 4 percent in 2013, driven by motor, by workers' compensation in both North America and Europe and by liability in North America.

The **net underwriting result increased** by USD 416 million to USD 466 million, reflected in the improvement of 6.8 percentage points in the combined ratio to 92.3 percent. This improvement arose principally from the loss ratio, which benefited from lower major catastrophe events, in contrast to 2012 which was impacted by storm Sandy. This was partly offset by adverse individual large losses and prior year premiums. The expense ratio also improved by 2.3 percentage points as a result of disciplined expense management and non-recurring one-off items.

Operating and financial review *continued*

North America Commercial

in USD millions, for the years ended December 31	2013	2012	Change
Gross written premiums and policy fees	10,215[1]	10,003	2%
Net underwriting result	362	26	nm
Business operating profit	**972**	**699**	**39%**
Loss ratio	68.0%	71.4%	3.4 pts
Expense ratio	27.2%	28.2%	1.0 pts
Combined ratio	**95.3%**	**99.7%**	**4.4 pts**

[1] after internal business transfers to Global Corporate

Business operating profit increased by USD 273 million to USD 972 million, or by 39 percent, driven by an increase in the underwriting result. Persistent low investment yields resulted in a decrease in net investment income, which was partly offset by increased investment capital gains recognized in business operating profit and lower non-technical expenses.

Gross written premiums and policy fees increased by USD 212 million to USD 10.2 billion, or by 2 percent. Underlying growth was 6 percent after adjusting for internal business transfers to Global Corporate and a fronted portfolio that was not renewed. This underlying premium growth arose from the continued improvement in economic and market conditions in North America and the successful execution of growth initiatives targeting the construction, real estate, healthcare and technology industries. These initiatives also targeted special lines products and the captive and auto warranty businesses. Volume in property lines was particularly strong, fuelled by growth initiatives and rate increases. The rate environment also remained favorable in other major lines, including workers' compensation and liability, where focus remained on profitable underwriting. Overall, rate increases of 5 percent were achieved during 2013.

The **net underwriting result** increased by USD 336 million to USD 362 million, which was reflected in the improvement of 4.4 percentage points in the combined ratio to 95.3 percent. The underlying loss ratio continued to show improvement compared with 2012 reflecting the favorable impact of sustained rate increases, as well as the impact of claims and underwriting initiatives. The underwriting result also benefited from lower major catastrophe events compared with 2012 which was impacted by storm Sandy. In 2013, changes in loss reserves established in prior years were negligible compared with favorable development in 2012. The expense ratio improved by 1.0 percentage points, reflecting the benefits of efficiency and savings initiatives which reduced other underwriting expenses. This was partly offset by an increase in the commission ratio following a shift toward business with higher commission rates.

Europe

in USD millions, for the years ended December 31	2013	2012	Change
Gross written premiums and policy fees	11,799	11,882	(1%)
Net underwriting result	640	324	97%
Business operating profit	**1,009**	**702**	**44%**
Loss ratio	67.4%	69.9%	2.5 pts
Expense ratio	27.1%	27.4%	0.3 pts
Combined ratio	**94.5%**	**97.2%**	**2.8 pts**

Business operating profit increased by USD 307 million to USD 1.0 billion, or by 44 percent in U.S. dollar terms and 42 percent on a local currency basis. This improvement reflected a significant increase in the underwriting result, which was partly offset by lower investment income as a result of persistent low investment yields. Non-technical expenses were also lower and benefited from several non-recurring items.

Gross written premiums and policy fees decreased by USD 83 million to USD 11.8 billion, or by 1 percent in U.S. dollar terms and 2 percent on a local currency basis. The lower volume resulted from continued focus on profitability and the impact of the challenging economic environment. Average rate increases of 3 percent were achieved in 2013.

The **net underwriting result** increased by USD 316 million to USD 640 million, which was reflected in the improvement in the combined ratio of 2.8 percentage points to 94.5 percent. The improvement in the loss ratio of 2.5 percentage points stemmed from continued improvements in the underlying loss ratio, particularly in Germany, Italy, the UK and Ireland. This was a result of sustained pricing and underwriting actions and a higher level of favorable development of reserves established in prior years, which in 2012 included the significant reserve strengthening in Germany. These improvements were partly offset by an increase in weather-related losses, including floods in Europe and individual large losses. The expense ratio improved by 0.3 percentage points, reflecting lower commissions and a focus on expense management.

Operating and financial review *continued*

International Markets

in USD millions, for the years ended December 31	2013	2012	Change
Gross written premiums and policy fees	5,700	5,603	2%
Net underwriting result	(29)	54	nm
Business operating profit	**115**	**165**	**(30%)**
Loss ratio	61.7%	60.3%	(1.4 pts)
Expense ratio	38.9%	38.4%	(0.5 pts)
Combined ratio	**100.7%**	**98.7%**	**(1.9 pts)**

Business operating profit decreased by USD 50 million to USD 115 million, or by 30 percent in U.S. dollar terms and 31 percent on a local currency basis. The decrease in the underwriting result was partly offset by a one-off gain included in the non-technical result from the sale of own-use real estate in Taiwan.

Gross written premiums and policy fees increased by USD 97 million to USD 5.7 billion, or by 2 percent in U.S. dollar terms and 12 percent on a local currency basis. Growth in Latin America of 18 percent on a local currency basis was generated mainly in Mexico and Brazil. Asia-Pacific achieved an increase of 8 percent on a local currency basis, with particularly strong growth in Australia, Japan and Hong Kong. Premiums in the Middle East and Africa increased by 2 percent on a local currency basis.

The **net underwriting result** deteriorated by USD 83 million, which was reflected in the 1.9 percentage points deterioration in the combined ratio to 100.7 percent. Losses from floods in Queensland, Australia, higher large losses in Latin America and slightly lower favorable development in loss reserves established in prior years were reflected in the deterioration of 1.4 percentage points in the loss ratio. The expense ratio deteriorated by 0.5 percentage points compared with 2012, a result of higher and partly non-recurring other underwriting expenses in Latin America and higher commissions in Asia-Pacific.

Global Life

in USD millions, for the years ended December 31	2013	2012	Change
Insurance deposits	13,180	16,670	(21%)
Gross written premiums and policy fees	13,916	13,590	2%
Net investment income on Group investments	3,895	3,991	(2%)
Insurance benefits and losses, net of reinsurance	(9,167)	(9,592)	4%
Business operating profit	**1,272**	**1,351**	**(6%)**
Total reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts (net reserves)[1]	226,166	213,982	6%
Assets under management[1, 2]	267,202	253,509	5%
Net policyholder flows[3]	(2,694)	1,431	nm

[1] As of December 31, 2013 and December 31, 2012, respectively. Restated as set out in note 1 of the Consolidated financial statements.
[2] Assets under management comprise Group and unit-linked investments that are included in the Global Life balance sheet plus assets that are managed by third parties, on which fees are earned.
[3] Net policyholder flows are defined as the sum of gross written premiums and policy fees and insurance deposits, less policyholder benefits.

	2013	2012	Change
New business – highlights[1, 2]			
New business annual premium equivalent (APE)	**4,418**	**4,030**	**10%**
Present value of new business premiums (PVNBP)	40,586	35,296	15%
New business margin, after tax (as % of APE)	**28.3%**	**22.1%**	**6.2 pts**
New business margin, after tax (as % of PVNBP)	3.1%	2.5%	0.6 pts
New business value, after tax	**1,251**	**890**	**41%**

[1] New business amounts are calculated on embedded value principles before the effect of non-controlling interests, details of which are included in the Embedded value report.
[2] New business amounts for 2012 did not include Zurich Santander or the new operations in Asia (including Zurich Insurance Malaysia Berhad – ZIMB).

Profit by source[1]

in USD millions, for the year ended December 31	New business		Business in-force		Total	
	2013	2012	2013	2012	2013	2012
Net expense margin	(1,340)	(1,434)	1,523	1,410	183	(23)
Net risk margin			821	769	821	769
Net investment margin[2]			579	716	579	716
Other profit margins[2]			19	27	19	27
BOP before deferrals	(1,340)	(1,434)	2,942	2,923	1,602	1,489
Impact of acquisition deferrals	1,074	1,167	(886)	(903)	188	264
BOP before interest, depreciation and amortization	(266)	(266)	2,056	2,019	1,790	1,753
Interest, depreciation and amortization			(291)	(273)	(291)	(273)
Non-controlling interests[3]			(232)	(146)	(232)	(146)
BOP before special operating items	(266)	(266)	1,532	1,600	1,267	1,333
Special operating items			5	18	5	18
Business operating profit	**(266)**	**(266)**	**1,537**	**1,617**	**1,272**	**1,351**

[1] See Glossary for an explanation of profit by source.
[2] Following a change in the relative weight of margins in Germany, policyholder impacts which relate to more than one margin have been reclassified from investment margin into other profit margins. Figures for 2012 have been restated.
[3] Non-controlling interests pertaining to special operating items are excluded from this line and are offset against special operating items.

Operating and financial review *continued*

Business operating profit decreased by USD 80 million to USD 1.3 billion, or by 6 percent in U.S. dollar terms and 4 percent on a local currency basis, with increases in Latin America more than offset by reductions in North America, Europe and APME.

The net expense margin improved overall by USD 206 million. Business in-force reflected significant expense reductions in mature markets, while improvements in fund-based fees were offset by a reduction in premium-based fees as a result of lower levels of business in Germany. New business benefited from lower acquisition expenses, albeit this effect was entirely offset by the lower positive impact of acquisition deferrals. The net risk margin improved by USD 52 million, resulting from the underlying growth in protection business and positive experience in Latin America, which also included a full-year contribution from the social security (SIS) contract in Chile acquired in 2012. Persistently low investment yields continued to affect the investment margin, which decreased by USD 138 million, principally in Germany and North America.

Other profit margins decreased by USD 8 million to USD 19 million. An increase of USD 162 million compared with 2012 related to Zurich Santander, before the effect of non-controlling interests, was more than offset by the cost of business expansion in North America, Latin America and APME, and in Germany the indirect impact of lower investment yields and local statutory requirements, including the 'Zinszusatzreserve' (a reserve for supplementary interest).

Non-controlling interests increased by USD 86 million, primarily due to the higher contribution from Zurich Santander. After deducting non-controlling interests, the net contribution to business operating profit from Zurich Santander was USD 182 million, compared with USD 105 million in 2012. The impact of acquisition deferrals declined by USD 76 million, as a result of lower deferrals of new business expenses, partly offset by lower net amortization of deferred expenses on business in-force, driven by movements in equity markets. Special operating items decreased by USD 13 million to USD 5 million. This decrease resulted mainly from a charge for the reassessment of deferred acquisition costs of USD 30 million following the closure of the agency distribution channel in Hong Kong. Special operating items also included a benefit from the reduction of a liability largely offset by the impact of accelerated amortization of deferred acquisition costs, both in the UK.

Insurance deposits decreased by USD 3.5 billion to USD 13.2 billion, or by 21 percent both in U.S. dollar terms and on a local currency basis. This reduction was predominantly in the UK, driven by a reduction of single premium products in Private Banking Client Solutions following the implementation of new regulations on intermediary commission payments from the beginning of 2013.

Gross written premiums and policy fees increased by USD 326 million to USD 13.9 billion, or by 2 percent in U.S. dollar terms and 3 percent on a local currency basis compared with 2012, benefiting from increased volumes of protection business, particularly in Latin America.

Net reserves increased by USD 12.2 billion, or by 6 percent in U.S. dollar terms and 4 percent on a local currency basis, compared with December 31, 2012, primarily reflecting increased values of unit-linked assets. **Assets under management** increased by 5 percent in U.S. dollar terms and 4 percent on a local currency basis compared with December 31, 2012, driven by unit-linked asset growth and favorable exchange rate movements. Total assets under management for unit-linked portfolios increased by 8 percent on a local currency basis, primarily as a result of increases in equity markets in Europe. Net policyholder flows were a net outflow of USD 2.7 billion compared with a net inflow of USD 1.4 billion in 2012, as a result of a combination of lower inflows from insurance deposits in the UK and higher net outflows from traditional portfolios in Germany.

NBV, APE, NBM and BOP by region

in USD millions, for the years ended December 31	New business value, after tax (NBV)		New business annual premium equivalent (APE)		New business margin, after tax (as % of APE) (NBM)		Business operating profit (BOP)	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
North America	117	109	162	125	72.4%	87.1%	173	243
Latin America[1, 2]	368	99	1,178	755	31.2%	13.2%	245	155
of which:								
Zurich Santander	*268*	–	*821*	–	*32.6%*	–	*182*	*105*
Europe	490	453	2,376	2,538	20.6%	17.9%	778	819
United Kingdom	*167*	*195*	*1,019*	*1,194*	*16.4%*	*16.4%*	*169*	*306*
Germany	*43*	*37*	*363*	*453*	*11.8%*	*8.2%*	*185*	*140*
Switzerland	*60*	*25*	*225*	*220*	*26.7%*	*11.5%*	*241*	*259*
Ireland	*68*	*66*	*420*	*355*	*16.1%*	*18.5%*	*51*	*26*
Spain	*117*	*94*	*155*	*149*	*75.4%*	*62.9%*	*42*	*14*
Rest of Europe	*35*	*36*	*195*	*167*	*17.9%*	*21.5%*	*88*	*74*
APME[1, 2]	177	125	530	464	33.5%	26.9%	83	134
Other	99	103	173	147	57.4%	70.1%	(7)	–
Total	**1,251**	**890**	**4,418**	**4,030**	**28.3%**	**22.1%**	**1,272**	**1,351**

NBV and APE by pillar[1, 2]

in USD millions, for the years ended December 31	New business value (NBV), after tax		New business annual premium equivalent (APE)		New business margin, after tax (as % of APE)	
	2013	2012	**2013**	2012	**2013**	2012
Bank Distribution	435	134	1,348	485	32.3%	27.6%
IFA/Brokers	274	233	1,003	972	27.3%	24.0%
Agents	203	152	473	428	42.9%	35.6%
Total Retail pillars	**912**	**519**	**2,824**	**1,885**	**32.3%**	**27.5%**
Corporate Life & Pensions	293	285	1,409	1,703	20.8%	16.7%
Private Banking Client Solutions	4	24	118	319	3.6%	7.4%
Direct and Central Initiatives	41	61	68	122	60.4%	50.2%
Total	**1,251**	**890**	**4,418**	**4,030**	**28.3%**	**22.1%**

1 New business amounts are calculated before the effect of non-controlling interests and, for 2012, did not include Zurich Santander and the new operations in Asia (including ZIMB).
2 Zurich Santander and ZIMB new business amounts for the full year 2012 were not included in the Embedded value report nor subjected to audit. Estimates of those figures are as follows: Zurich Santander NBV: USD 182 million, APE: USD 701 million, NBM: 26.0 percent; ZIMB NBV: USD 13 million, APE: USD 35 million, NBM: 36.6 percent.

Global Life continued to benefit from its acquisitions and investment in organic growth in priority markets, while maintaining focus on shifting its product mix from traditional savings business toward protection and unit-linked products and on leveraging its global bank distribution and corporate life relationships. Zurich Santander and ZIMB new business has been included in 2013, but was not reported in 2012.

New business value increased by USD 361 million to USD 1.3 billion, or by 41 percent in U.S. dollar terms and 43 percent on a local currency basis. This increase was driven by the first-time inclusion of Zurich Santander, which contributed USD 268 million, as well as by strong performance in all regions led by volume growth in protection products.

In North America, the IFA/Brokers pillar continued to gain momentum. This led to an overall APE growth of 29 percent and an increase in new business value of 7 percent. Changes in business mix resulted in a lower but still high new business margin of 72.4 percent.

Operating and financial review *continued*

In Europe, the overall increase of USD 36 million in new business value was primarily driven by Switzerland and Spain. Changes in product mix and management actions in Switzerland continued to reduce exposure to interest rate guarantees and this, together with strong volume growth in corporate business, led to higher margins and an increase in new business value. New business value grew in Spain following volume and margin increases from higher-margin protection products. These positive impacts were partly offset by a decrease in the UK following the implementation of the new regulations.

In APME, new business value grew in all countries, with the most significant increase coming from protection business in the Middle East. The first-time inclusion in 2013 of new operations in Asia also had a positive impact.

APE increased by USD 388 million to USD 4.4 billion, or by 10 percent in U.S. dollar terms and 11 percent on a local currency basis, benefiting from the first time inclusion of USD 821 million from Zurich Santander. This was partly offset by lower levels of single premium products in Private Banking Client Solutions, following the implementation of new regulations in the UK, and a reduction of APE in Chile, where 2012 included the impact from the successful participation in the biennial Social Security (SIS) bid process. No additional APE was recorded on this contract in 2013. On a comparable basis, excluding these large impacts as well as the contribution from Zurich Santander, APE increased by 6 percent in U.S. dollar terms with increases in protection and corporate savings business offset by reductions in unit-linked savings business in the UK and Germany.

New business margin increased by 6.2 percentage points to 28.3 percent, primarily due to the effects of changes in product mix, reflecting strong volume growth of higher-margin protection business in all regions, including Zurich Santander, the impact of the SIS contract which reduced margin in 2012 and lower volumes of lower-margin savings and unit-linked business in Europe. In Switzerland and Spain, new business margin increased significantly following changes in product mix and management actions.

In **Retail pillars**, new business value overall increased by USD 393 million to USD 912 million, or by 76 percent in U.S. dollar terms and 79 percent on a local currency basis. Growth was reported across all regions, with the largest increase occurring in Bank Distribution as a result of the first time inclusion of Zurich Santander, which generated exceptionally strong protection business volumes in Brazil during 2013.

In **Corporate Life & Pensions**, new business value increased by USD 8 million to USD 293 million benefiting particularly from higher-margin corporate protection business and volumes in Europe. This more than offset decreases in Latin America related to the SIS transaction in Chile and from the transitional impact arising from a change in methodology for corporate protection business.

Farmers

Farmers business operating profit increased by USD 114 million to USD 1.5 billion, or by 8 percent. This was due to an improved underwriting result in Farmers Re, which benefited from the actions taken on rate increases and re-underwriting of business in the Farmers Exchanges, which are owned by their policyholders and managed by Farmers Group, Inc., a wholly owned subsidiary of the Group. This increase was partly offset by lower business operating profit in Farmers Management Services, also partly reflecting the actions taken in the Farmers Exchanges.

Farmers Management Services

in USD millions, for the years ended December 31	**2013**	2012	Change
Management fees and other related revenues	2,810	2,846	(1%)
Management and other related expenses	(1,457)	(1,480)	2%
Gross management result	1,353	1,366	(1%)
Other net income	38	62	(39%)
Business operating profit	**1,390**	**1,428**	**(3%)**
Managed gross earned premium margin	7.2%	7.3%	–

Business operating profit of USD 1.4 billion decreased by USD 38 million, or by 3 percent, primarily due to a decrease in management fees and other related revenues, as well as lower investment income.

Management fees and other related revenues of USD 2.8 billion decreased by USD 36 million, or by 1 percent, among other factors due to lower levels of fees on new business policies. **Management and other related expenses** of USD 1.5 billion decreased by USD 23 million, as a result of the impact of disciplined expense management, a one-off benefit to employee costs and reduced facilities expenses. **Other net income and expenses** of USD 38 million decreased by USD 24 million due to a reduction in investment income resulting from lower interest rates, as well as reduced real estate investment income compared with 2012. In addition, 2012 benefited from a one-time gain related to the settlement of a portion of the pension liability for vested plan participants who are no longer employed by the company.

The **gross management result** of USD 1.4 billion decreased by USD 13 million, or by 1 percent, and the **managed gross earned premium margin** was 7.2 percent compared with 7.3 percent in 2012.

Operating and financial review *continued*

Farmers Re

in USD millions, for the years ended December 31	2013	2012	Change
Gross written premiums and policy fees	4,045	4,361	(7%)
Net underwriting result	(9)	(163)	94%
Business operating profit	**125**	**(26)**	**nm**
Loss ratio	68.9%	72.4%	3.5 pts
Expense ratio	31.3%	31.3%	–
Combined ratio	**100.2%**	**103.7%**	**3.5 pts**

Business operating profit of USD 125 million improved by USD 152 million, mainly due to a lower underlying loss ratio.

Gross written premiums and policy fees decreased by USD 316 million, or by 7 percent, to USD 4.0 billion. This was a result of changes in the quota share reinsurance agreements, as well as the 2 percent decrease in gross written premiums in the Farmers Exchanges due to actions taken to improve profitability. The changes in the reinsurance agreements comprised a reduction in the All Lines quota share reinsurance agreement with the Farmers Exchanges from 20.0 percent to 18.5 percent effective December 31, 2012 and a reduction from 18.5 percent to 18.0 percent effective December 31, 2013. The Auto Physical Damage quota share reinsurance agreement with the Farmers Exchanges was reduced from USD 1.0 billion of ceded premium in 2012 to USD 925 million, effective January 1, 2013.

The **net underwriting result** improved by USD 154 million to a loss of USD 9 million. This improvement was mainly a result of lower non-weather-related losses assumed from the Farmers Exchanges in 2013, demonstrating the impact of rate and underwriting actions taken in 2012 and 2013.

The **loss ratio** improved by 3.5 percentage points compared with 2012. This improvement was largely due to a reduced underlying loss ratio reflecting better underwriting results in the Farmers Exchanges. Weather-related losses remained above historical levels, but were slightly lower compared with 2012. The **expense ratio**, based on ceded reinsurance commission rates payable to Farmers Exchanges, remained flat.

Farmers Exchanges

Farmers Exchanges

in USD millions, for the years ended December 31	2013	2012[1]	Change
Gross written premiums	18,643	18,935	(2%)
Gross earned premiums	18,757	18,703	–

[1] Including the return of USD 74 million of premiums as a result of the anticipated settlement of a lawsuit with the State of Texas.

Gross written premiums in the Farmers Exchanges, which are owned by their policyholders and managed by Farmers Group, Inc., a wholly owned subsidiary of the Group, declined by USD 292 million to USD 18.6 billion, or by 2 percent. This decline occurred in most lines of business except home and specialty lines. It resulted from the rate and underwriting actions begun in 2012 to improve profitability, which have impacted both levels of new business and renewals subsequent to the rate increases.

Gross earned premiums in the Farmers Exchanges were broadly flat. The effect of rate and underwriting actions begun in 2012 to improve profitability is flowing through to gross earned premiums. Decreases in non-standard auto and business insurance lines of business were offset by increases in the specialty, home, and standard auto lines of business.

Other Operating Businesses

in USD millions, for the years ended December 31	2013	2012	Change
Business operating profit:			
Holding and financing	(843)	(735)	(15%)
Headquarters	(196)	(175)	(12%)
Total business operating profit	**(1,039)**	**(910)**	**(14%)**

Holding and financing business operating loss deteriorated by USD 108 million to USD 843 million. This was mainly due to lower investment income, a result of special dividends received in 2012, and also the persistent low yield environment.

Headquarters business operating loss increased to USD 196 million, USD 22 million higher than in 2012. This deterioration was driven by several non-recurring items.

Non-Core Businesses

in USD millions, for the years ended December 31	2013	2012	Change
Business operating profit:			
Centrally managed businesses	27	29	(8%)
Other run-off	46	100	(54%)
Total business operating profit	**73**	**129**	**(44%)**

Centrally managed businesses, which comprise run-off portfolios that are managed with the intention to proactively reduce risk and release capital, reported a business operating profit of USD 27 million.

Other run-off, which largely comprises U.S. life insurance and annuity portfolios, reported a business operating profit of USD 46 million. The decline of USD 54 million resulted from a one-off gain in 2012 from the reassessment of liabilities on certain life run-off policies.

Operating and financial review *continued*

Investment position and performance

Details of total investments by category

in USD millions, as of	Group investments		Unit-linked investments	
	12/31/13	12/31/12[1]	**12/31/13**	12/31/12[1]
Cash and cash equivalents	7,181	9,098	982	1,110
Equity securities:	13,183	12,341	111,954	99,478
Common stocks, including equity unit trusts	10,706	9,388	91,203	77,996
Unit trusts (debt securities, real estate and short-term investments)	1,919	2,418	20,750	21,482
Common stock portfolios backing participating with-profit policyholder contracts	558	534	–	–
Debt securities	156,456	155,594	11,605	11,646
Real estate held for investment	8,745	8,561	3,661	3,401
Mortgage loans	9,798	10,519	–	–
Other loans	11,789	13,385	6,066	8,279
Investments in associates and joint ventures	129	85	–	–
Total	**207,280**	**209,582**	**134,267**	**123,913**

[1] Restated as set out in note 1 of the Consolidated financial statements.

Group investments decreased by USD 2.3 billion to USD 207.3 billion, or by 1 percent in U.S. dollar terms during the year. On a local currency basis, total Group investments decreased by USD 5.1 billion, or by 2 percent. The decline in total Group investments was primarily driven by the impact of rising yields on the value of debt securities partly offset by new cash flows invested in debt and equity securities.

Unit-linked investments increased by USD 10.4 billion to USD 134.3 billion, or by 8 percent in both U.S. dollar terms and on a local currency basis during the year, driven by increases in equity markets mainly in Europe.

The Group maintains a disciplined strategy focused on asset and liability management. The Group continues to limit risks that it believes are not rewarded, such as foreign currency, interest rate and concentration risks. The quality of the Group's investment portfolio remains high, with investment-grade securities comprising 98 percent of the Group's debt securities.

Performance of Group investments

in USD millions, for the years ended December 31	**2013**	2012	Change
Net investment income[1]	6,240	6,782	(8%)
Net capital gains/(losses) on investments and impairments	1,157	2,201	(47%)
of which: net capital gains/(losses) on investments and impairments attributable to shareholders	588	1,687	(65%)
Net investment result on Group investments[1]	7,398	8,983	(18%)
Net investment return on Group investments[2]	**3.5%**	**4.4%**	**(0.9 pts)**
Movements in net unrealized gains/(losses) on investments included in total equity	(4,670)	5,349	nm
Total investment result on Group investments[1]	**2,727**	**14,332**	**(81%)**
Average Group investments	208,431	204,066	2%
Total return on Group investments[2]	**1.3%**	**7.0%**	**(5.7 pts)**

[1] After deducting investment expenses of USD 256 million and USD 252 million for the years ended December 31, 2013 and 2012, respectively.
[2] Calculated on average Group investments.

Total **net investment income** decreased by 8 percent in both U.S. dollar terms and on a local currency basis to USD 6.2 billion, compared with USD 6.8 billion in 2012, reflecting persistent low investment yields on debt securities.

Total **net capital gains on investments and impairments** were USD 1.2 billion compared with USD 2.2 billion in 2012. The decrease of USD 1.0 billion was primarily due to negative asset revaluations.

Asset revaluations resulted in losses of USD 636 million, compared with gains of USD 286 million in 2012. The deterioration was due to negative revaluations of debt securities booked at fair value through profit or loss and to increased losses on derivative financial instruments used for hedging underlying business or investment risks.

Net capital gains from active management were USD 2.0 billion, a decrease of USD 128 million compared with 2012. The decrease was mainly due to lower gains from sales of debt securities, partly offset by gains of USD 692 million from the disposal of all of the Group's remaining shares in New China Life Insurance Company Ltd.

Impairments of USD 201 million were USD 7 million lower compared with 2012.

Net investment return on Group investments was 3.5 percent, 0.9 percentage points lower than in 2012, a result of both the decrease in the net investment result and an increase in average Group investments.

Net unrealized gains on investments included in total equity decreased by USD 4.7 billion from December 31, 2012, mainly due to a reduction of USD 4.2 billion in net unrealized gains on debt securities. This was a result of a significant rise in yields on debt securities. Net unrealized gains on equity securities declined by USD 252 million compared with December 31, 2012, as the positive effects of rising equity markets were offset by the recognition of realized capital gains from active management, including the sale of all of the Group's remaining shares in New China Life Insurance Company Ltd.

Total return on Group investments was 1.3 percent compared with 7.0 percent in 2012, primarily reflecting the reduction in net unrealized gains in 2013 from rising yields on debt securities.

Debt securities, which are invested to match the Group's insurance liability profiles, returned 0.5 percent. Equity securities and other investments returned 11.7 percent and 1.9 percent, respectively.

Performance of unit-linked investments

in USD millions, for the years ended December 31	**2013**	2012	Change
Net investment income	1,717	1,820	(6%)
Net capital (losses)/gains on investments and impairments	11,088	8,373	32%
Net investment result, net of investment expenses[1]	12,805	10,193	26%
Average investments	129,090	117,912	9%
Total return on unit-linked investments[2]	**9.9%**	**8.6%**	**1.3 pts**

[1] After deducting investment expenses of USD 575 million and USD 508 million for the years ended December 31, 2013 and 2012, respectively.
[2] Calculated on average Group investments.

Total return on unit-linked investments delivered 9.9 percent, an increase of 1.3 percentage points compared with 2012. Capital gains, particularly from the rise in equity markets in Europe, were partly offset by a reduction of USD 102 million in net investment income, as yields have continued to decline.

Operating and financial review *continued*

Insurance and investment contract liabilities

Reserves for losses and loss adjustment expenses

The majority of the Group's reserves for losses and loss adjustment expenses are attributable to General Insurance. The remaining reserves mostly relate to Farmers Re and to Non-Core Businesses.

in USD millions	Total Group		of which General Insurance	
	2013	2012	**2013**	2012
As of January 1				
Gross reserves for losses and loss adjustment expenses	69,986	67,762	66,542	64,311
Reinsurers' share	(12,601)	(12,421)	(11,308)	(11,195)
Net reserves for losses and loss adjustment expenses	**57,385**	**55,341**	**55,234**	**53,116**
Net losses and loss adjustment expenses incurred	23,128	23,769	20,323	20,547
Current year	23,885	24,340	21,042	21,131
Prior years	(757)	(571)	(720)	(584)
Net losses and loss adjustment expenses paid	(23,404)	(23,378)	(20,635)	(20,412)
Current year	(9,605)	(9,853)	(7,603)	(7,621)
Prior years	(13,799)	(13,525)	(13,032)	(12,791)
Acquisitions/(divestments) and transfers	(49)	960	(65)	1,300
Foreign currency translation effects	258	693	244	682
As of December 31				
Net reserves for losses and loss adjustment expenses	**57,319**	**57,385**	**55,102**	**55,234**
Reinsurers' share	(10,993)	(12,601)	(10,528)	(11,308)
Gross reserves for losses and loss adjustment expenses	68,312	69,986	65,629	66,542

As of December 31, 2013, the **net reserves for losses and loss adjustment expenses** for the total Group decreased by USD 66 million to USD 57.3 billion compared with December 31, 2012. Foreign currency translation increased the reserves by USD 258 million. Favorable net reserve development arose from reserves established in prior years and amounted to USD 757 million for the full year 2013, reflecting favorable developments in Switzerland and in the Global Corporate business.

During 2012, the increase of USD 2.0 billion for the total Group in net reserves for losses and loss adjustment expenses included USD 693 million related to the positive effect of foreign currency translation and a transfer of USD 1.2 billion from policyholders' contract deposits and other funds to reserves for losses and loss adjustment expenses, shown in acquisitions/(divestments) and transfers. Favorable reserve developments of USD 571 million on reserves established in prior years included the strengthening of reserves for long-tail liability business in Germany.

Details of reserve developments emerging from reserves established in prior years are set out in note 8 of the Consolidated financial statements.

Development of cumulative net loss ratio

	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
In the year	68.3%	73.3%	69.6%	72.7%	74.6%	72.3%	73.5%	74.2%	71.3%	69.4%
One year later	64.2%	68.1%	66.2%	71.7%	74.1%	72.0%	73.2%	74.0%	70.0%	
Two years later	63.5%	66.6%	64.8%	70.6%	72.4%	70.7%	72.1%	73.7%		
Three years later	63.7%	65.0%	63.3%	69.4%	72.3%	70.6%	71.6%			
Four years later	62.9%	63.8%	62.6%	68.6%	72.1%	70.6%				
Five years later	62.2%	63.2%	61.6%	68.0%	71.6%					
Six years later	62.1%	62.6%	61.0%	67.9%						
Seven years later	61.9%	62.3%	60.9%							
Eight years later	61.9%	62.4%								
Nine years later	61.9%									

This table represents the loss ratio development for individual accident years for the Group, with General Insurance the primary driver. Individual accident years are affected by the level of large catastrophe losses which had the following impact on the loss ratios in the year that the event occurred:

- 2004: Hurricanes Charley, Frances, Jeanne and Ivan in the U.S. increased the loss ratio by 2.8 percentage points;
- 2005: Hurricanes Katrina, Rita and Wilma in the U.S. and floods in Europe increased the loss ratio by 4.6 percentage points;
- 2007: Winter storm Kyrill in Europe and floods in the UK increased the loss ratio by 2.5 percentage points;
- 2008: Hurricanes Gustav and Ike in the U.S. increased the loss ratio by 1.8 percentage points;
- 2010: The earthquake in Chile and floods in Australia increased the loss ratio by 0.8 percentage points;
- 2011: Floods in Australia, earthquakes in New Zealand, the earthquake and subsequent tsunami in Japan, Hurricane Irene in the U.S. and floods in Thailand increased the loss ratio by 2.6 percentage points, after the Group's aggregate catastrophe reinsurance recovery;
- 2012: Storm Sandy in the U.S. increased the loss ratio by 2.5 percentage points.

The development of 2004 and each subsequent year demonstrates the Group's philosophy of taking a prudent view on reserving.

Operating and financial review *continued*

Reserves for life insurance contracts and liabilities for investment contracts

The majority of the Group's reserves for life insurance contracts and liabilities for investment contracts are attributable to Global Life. Life insurance reserves in other segments relate predominantly to businesses that are in run-off or are centrally managed, and are included only in this first table.

Group reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts

in USD millions	Global Life		Other segments		Total Group	
	2013	2012[1]	2013	2012	2013	2012[1]
Net reserves as of January 1	213,982[1]	195,302	16,789	18,027	230,771[1]	213,329
Movements in net reserves	12,184	18,680	(868)	(1,238)	11,316	17,442
Net reserves as of December 31	**226,166**	**213,982**	**15,921**	**16,789**	**242,087**	**230,771**

[1] Restated as set out in note 1 of the Consolidated financial statements.

The following provides further detail on the development and composition of reserves and liabilities in the **Global Life** business.

Global Life – Development of reserves and liabilities

in USD millions	Unit-linked insurance and investment contracts[2]		Other life insurance liabilities[3]		Total reserves and liabilities	
	2013	2012[1]	2013	2012	2013	2012[1]
As of January 1						
Gross reserves	119,680[1]	107,646	96,290	89,731	215,970[1]	197,378
Reinsurers' share	–	–	(1,988)	(2,076)	(1,988)[1]	(2,076)
Net reserves	**119,680[1]**	**107,646**	**94,302**	**87,656**	**213,982[1]**	**195,302**
Premiums	14,633	18,234	9,425	9,138	24,058	27,372
Claims	(16,433)	(17,423)	(10,691)	(9,360)	(27,124)	(26,782)
Fee income and other expenses	(2,137)	(1,898)	(1,992)	(1,780)	(4,130)	(3,678)
Interest and bonuses credited to policyholders	12,829	10,318	3,542	3,496	16,371	13,814
Change in assumptions	–	–	101	(100)	101	(100)
Acquisitions/(divestments) and transfers	–	4	–	998	–	1,002
Increases/(decreases) recorded in other comprehensive income	94	4	(1,113)	2,425	(1,019)	2,429
Foreign currency translation effects	1,475	2,795	2,451	1,829	3,926	4,623
As of December 31						
Net reserves	**130,141**	**119,680**	**96,025**	**94,302**	**226,166**	**213,982**
Reinsurers' share	–	–	(2,078)	(1,988)	(2,078)	(1,988)
Gross reserves	130,141	119,680	98,103	96,290	228,244	215,970

[1] Restated as set out in note 1 of the Consolidated financial statements.
[2] Includes reserves for unit-linked contracts, the net amounts of which were USD 63 billion and USD 62.2 billion, and liabilities for investment contracts, the net amounts of which were USD 67.1 billion and USD 57.4 billion as of December 31, 2013 and 2012, respectively.
[3] Includes reserves for future life policyholders' benefits, the net amounts of which were USD 78.2 billion and USD 76.7 billion and policyholders' contract deposits and other funds, the net amounts of which were USD 17.8 billion and USD 17.6 billion as of December 31, 2013 and 2012, respectively.

Global Life – Reserves and liabilities, net of reinsurance, by region

in USD millions, as of	Unit-linked insurance and investment contracts		Other life insurance liabilities		Total reserves and liabilities	
	12/31/13	12/31/12[1]	**12/31/13**	12/31/12[1]	**12/31/13**	12/31/12[1]
North America	1,125	1,021	5,473	5,307	6,598	6,329
Latin America	9,977	10,709	5,336	5,204	15,313	15,913
Europe	103,745	94,124	82,007	80,468	185,752	174,592
of which:						
United Kingdom	*61,943*	*58,468*	*5,001*	*5,200*	*66,944*	*63,667*
Germany	*13,439*	*11,130*	*43,728*	*43,084*	*57,166*	*54,214*
Switzerland	*868*	*786*	*20,074*	*19,741*	*20,942*	*20,528*
Ireland	*16,369*	*13,215*	*1,971*	*1,727*	*18,340*	*14,942*
Spain	*4,799*	*4,874*	*6,189*	*5,981*	*10,989*	*10,855*
Rest of Europe	*6,328*	*5,651*	*5,044*	*4,734*	*11,371*	*10,385*
Asia-Pacific and Middle East	11,830	11,315	2,860	3,035	14,689	14,350
Other	3,464	2,511	350	284	3,814	2,795
Eliminations	–	–	–	4	–	4
Total	**130,141**	**119,680**	**96,025**	**94,302**	**226,166**	**213,982**

[1] Restated as set out in note 1 of the Consolidated financial statements.

Total reserves and liabilities for insurance and investment contracts, net of reinsurance, increased by USD 12.2 billion, or by 6 percent in U.S. dollar terms and 4 percent on a local currency basis compared with December 31, 2012.

Unit-linked insurance and investment contracts, net of reinsurance, increased by USD 10.5 billion, or by 9 percent in U.S. dollar terms and 8 percent on a local currency basis, compared with December 31, 2012, driven by growth in unit-linked assets under management reflecting the rise in equity markets in Europe.

Other life insurance liabilities, net of reinsurance, increased by USD 1.7 billion, or by 2 percent in U.S. dollar terms and decreased by 1 percent on a local currency basis, compared with December 31, 2012.

Operating and financial review *continued*

Capitalization

in USD millions	Shareholders' equity	Non-controlling interests	Total equity
As of December 31, 2012, as previously reported	34,494	2,368	36,862
Total adjustments due to restatement[1]	11	1	12
As of December 31, 2012, as restated	**34,505**	**2,369**	**36,874**
Proceeds from issuance of share capital	152	–	152
Proceeds from treasury share transactions	15	–	15
Dividends	(1,933)	(238)	(2,171)
Share-based payment transactions	(4)	–	(4)
Reclassification from revaluation reserves	6	–	6
Total comprehensive income	(237)	122	(115)
Net income after taxes	4,028	231	4,259
Net other recognized income and expenses	(4,265)	(109)	(4,374)
Net changes in capitalization and non-controlling interests	–	(22)	(22)
As of December 31, 2013	**32,503**	**2,231**	**34,734**

Total equity decreased by USD 2.1 billion to USD 34.7 billion, or by 6 percent compared with December 31, 2012. Non controlling interests overall decreased by USD 138 million with the remainder of the decrease ocurring in shareholders' equity. Shareholders' equity decreased as net income after taxes of USD 4.0 billion for the year ended December 31, 2013 was more than offset by net other recognized income and expenses in total comprehensive income and by the dividend paid to shareholders in April 2013.

Net other recognized income and expenses decreased primarily as a result of a decrease in net unrealized gains on available-for-sale investments of USD 2.8 billion following the slight upturn in interest rates, negative cumulative foreign currency translation adjustments of USD 986 million including USD 718 million relating to the dividend, and net actuarial losses on pension plans of USD 367 million. The total payment of USD 2.7 billion for the dividend of CHF 17.00 per share, approved by shareholders at the Annual General Meeting on April 4, 2013 was paid out of the capital contribution reserve, with USD 1.9 billion shown as dividends and USD 718 million included in other comprehensive income as a negative cumulative foreign currency translation adjustment.

Under the Swiss Solvency Test (SST) the Group is required to use a company-specific internal economic capital model to calculate risk-bearing and target capital, and to file SST reports biannually. As of July 1, 2013 the Group filed, on a consolidated basis, an SST capitalization ratio of 206 percent. The SST capitalization ratio as of January 1, 2013 was 185 percent, which has been approved by FINMA. The filing as of July 1, 2013 is subject to review by FINMA and the final approval of the Group's internal model continues to be outstanding.

The Group also continues to be subject to Solvency I requirements based on the Swiss Insurance Supervision Law. The Solvency I ratio as of December 31, 2013 decreased to 258 percent from 278 percent as of December 31, 2012.

Cash flows

Summary of cash flows

in USD millions, for the years ended December 31	2013	Restated 2012
Net cash provided by/(used in) operating activities	1,443	2,868
Net cash provided by/(used in) investing activities	(239)	(233)
Net cash provided by/(used in) financing activities	(3,233)	(2,318)
Foreign currency translation effects on cash and cash equivalents	(17)	187
Change in cash and cash equivalents	(2,046)	503
Cash and cash equivalents as of January 1	10,208	9,705
Cash and cash equivalents as of December 31	**8,162**	**10,208**

Net **cash and cash equivalents** decreased by USD 2.0 billion for the year ended December 31, 2013, compared with an increase of USD 503 million in 2012.

Net cash provided by operating activities, which included cash movements in and out of, as well as within total investments, was USD 1.4 billion compared with USD 2.9 billion in 2012. Net cash used in investing activities of USD 239 million, compared with USD 233 million in 2012, related mainly to net sales and purchases of property and equipment. Net cash used in financing activities for the year ended December 31, 2013 of USD 3.2 billion was primarily related to the payment of dividends of USD 2.9 billion and a net repayment of debt of USD 403 million. In 2012, the net movement of cash used in financing activities of USD 2.3 billion included dividends of USD 2.7 billion offset by a net issuance of debt of USD 260 million.

Cash flow details are set out in the consolidated statements of cash flows in the Consolidated financial statements.

Operating and financial review *continued*

Currency translation impact

The Group operates worldwide in multiple currencies and seeks to match foreign exchange exposures on an economic basis.

As the Group has chosen the U.S. dollar as its presentation currency, differences arise when functional currencies are translated into the Group's presentation currency. The table below shows the effect of foreign currency rates on the translation of selected line items.

Selected Group income statement line items

variance over the prior period, for the year ended December 31, 2013	in USD millions	in %
Gross written premiums and policy fees	(502)	(1%)
Insurance benefits and losses, gross of reinsurance	55	–
Net income attributable to shareholders	6	–
Business operating profit	(22)	–

The consolidated income statements are translated at average exchange rates. Throughout 2013, the U.S. dollar was on average weaker against the euro and Swiss franc, but stronger against the British pound compared with 2012. The net impact on the result from these major currencies was offset by the weakening of the Brazilian real and Japanese yen against the U.S. dollar. The overall net impact on the result was minimal.

Selected Group balance sheet line items

variance over December 31, 2012, as of December 31, 2013	in USD millions	in %
Total investments	3,899	1%
Reserves for insurance contracts, gross	2,399	1%
Cumulative foreign currency translation adjustment in shareholders' equity	(986)	(3%)

The consolidated balance sheets are translated at end-of-period rates. The U.S. dollar weakened against the euro, Swiss franc and British pound but strengthened against the Japanese yen, the Australian dollar and Latin American currencies, in particular the Brazilian real, as of December 31, 2013 compared with December 31, 2012, resulting in a small net increase in U.S. dollar terms for most balance sheet items.

The cumulative foreign currency translation adjustment (CTA) included an adjustment of USD 718 million relating to the payment of the dividend and the net effect of currency movements on capital held in foreign currencies.

Risk review

Zurich's approach to risk management aims to protect the Group's capital, enhance value creation, optimize its risk-return profile, support decision making and protect Zurich's reputation and brand. The Risk review describes the Group's risk management framework and risk governance, presents an analysis of its main risks, and reports on capital management and capital adequacy.

Contents

The Risk review is an integral part of the Consolidated financial statements (except for the "Swiss Solvency Test Requirement," "Internal Model Capital Adequacy" and "Conclusion" sections presented on pages 169–177). Certain comparative figures have been restated, as set out in note 1 of the Consolidated financial statements.

Risk review *continued*

Risk management

Mission and objectives of risk management

The mission of risk management at Zurich Insurance Group (Zurich, or the Group) is to promptly identify, measure, manage, report and monitor risks that affect the achievement of strategic, operational and financial objectives. This includes adjusting the risk profile in line with the Group's stated risk tolerance to respond to new threats and opportunities in order to optimize returns.

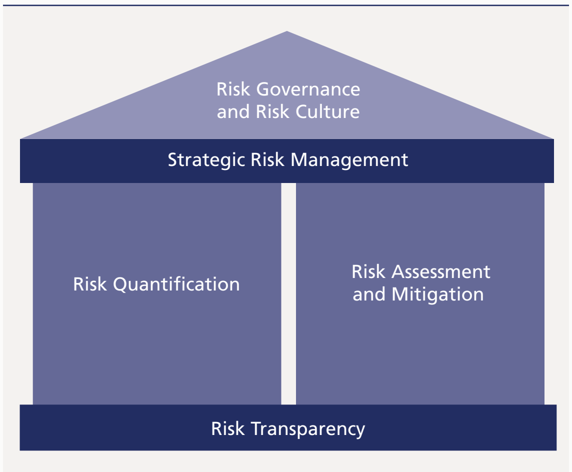
The Group's major risk management objectives are to:

- Protect the capital base by monitoring that risks are not taken beyond the Group's risk tolerance
- Enhance value creation and contribute to an optimal risk-return profile by providing the basis for an efficient capital deployment
- Support the Group's 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

In order to achieve its mission and objectives, the Group relies on its risk management framework.

Risk management framework



At the heart of the risk management framework is a governance process with clear responsibilities for taking, managing, monitoring and reporting risks. The Group articulates the roles and responsibilities for risk management throughout the organization, from the Board of Directors and the Chief Executive Officer (CEO) to its businesses and functional areas, thus embedding risk management in the business. See the "Risk governance and risk management organization" section.

To support the governance process, the Group relies on documented policies and guidelines. The Zurich Risk Policy is the Group's main risk governance document; it specifies the Group's risk tolerance, risk limits and authorities, reporting requirements, procedures to approve any exceptions and procedures for referring risk issues to senior management and the Board of Directors. Limits are specified per risk type, reflecting the Group's willingness and ability to take risk, considering earnings stability, economic capital adequacy, financial flexibility and liquidity, franchise value and reputation, the Group's strategic direction and operational plan, and a reasonable balance between risk and return, aligned with economic and financial objectives. The Group regularly enhances the Zurich Risk Policy to reflect new insights and changes in the Group's environment and to reflect changes to the Group's risk tolerance. In 2013, the Zurich Risk Policy was updated and strengthened for various areas, including market risk, project risk, as well as the management of asset/liability risk. Related procedures and risk controls were strengthened or clarified for these areas. As an ongoing process, adherence to requirements stated in the Zurich Risk Policy is assessed.

One of the key elements of the Group's risk management framework is to foster risk transparency by establishing risk reporting standards throughout the Group. The Group regularly reports on its risk profile, current risk issues, adherence to its risk policies and improvement actions both at a local and on a Group level. The Group has procedures in place for the timely referral of risk issues to senior management and the Board of Directors.

Various governance and control functions coordinate to help ensure that objectives are being achieved, risks are identified and appropriately managed and internal controls are in place and operating effectively. This coordination is referred to as "integrated assessment and assurance."

Risk management is not only embedded in Zurich's business but is also aligned with the Group's strategic and operational planning process. The Group assesses risks systematically and from a strategic perspective through its proprietary Total Risk Profiling™ (TRP) process, which allows Zurich to identify and then evaluate the probability of a risk scenario occurring, as well as the severity of the consequences should it occur. The Group then develops, implements and monitors appropriate improvement actions. The TRP process is integral to how Zurich deals with change, and is particularly suited for evaluating strategic risks as well as risks to Zurich's reputation. At Group level this process is performed annually, reviewed regularly and tied to the planning process.

In addition to this qualitative approach, the Group regularly measures and quantifies material risks to which it is exposed. The Zurich Economic Capital Model (Z-ECM) provides a key input into the Group's strategic planning process as it allows an assessment as to whether the Group's risk profile is in line with the Group's risk tolerance. Z-ECM forms the basis for optimizing the Group's risk-return profile by providing consistent risk measurement across the Group. See "Internal model capital adequacy (unaudited)" for more information about the Group's risk tolerance.

The operations relating to Zurich Santander (the long-term alliance with Banco Santander S.A., entered into in 2011) continue to be integrated into the Zurich risk management framework. In addition, these operations continue to leverage their existing internal control system while introducing Zurich's internal control system. In 2013, Zurich Santander began to conduct Total Risk Profiling™ assessments as well as to monitor adherence to the Zurich Risk Policy.

An important element of the Group's risk management framework is a well-balanced and effectively managed remuneration program. This includes a Group-wide remuneration philosophy, robust short- and long-term incentive plans, strong governance and links to the business planning, performance management and risk policies of the Group. Based on the Group's Remuneration Rules, the Board of Directors establishes the structure and design of the remuneration arrangements so that they do not encourage inappropriate risk taking. The Group Chief Risk Officer (Group CRO) consults with the other assurance, control and governance functions to provide the CEO with a review of risk factors to consider in the annual process to determine variable compensation. Also in consultation with these functions, the Group CRO provides an individual assessment of Group Key Risk Takers as part of their annual individual performance assessment. For more information on Zurich's remuneration system, see the "Remuneration report (unaudited)."

Through these processes, responsibilities and policies, Zurich embeds a culture of disciplined risk taking across the Group. The Group continues to consciously take risks for which it expects an adequate return. This approach requires sound judgment and an acceptance that certain risks can and will materialize in the future.

External environment

Various external stakeholders, among them regulators, rating agencies, investors and accounting bodies, place emphasis on the importance of sound risk management in the insurance industry. Zurich monitors developments in the external environment and assesses the impact on the Group's business, the insurance industry, and the communities in which the Group operates.

Regulatory perspective

Regulatory regimes, such as the Swiss Solvency Test in Switzerland and the regulatory principles of Solvency II in the European Union, emphasize a risk-based and economic approach, based on comprehensive quantitative and qualitative assessments and reports.

In 2013, the timeline for the roll-out of Solvency II in the European Union was further specified. The introduction of the complete framework is expected for January 1, 2016. In the context of systemic risk, the Financial Stability Board announced a list of Global Systemically Important Insurers, Zurich not being among them.

See "Analysis of capital adequacy" for more information about regulatory requirements.

Risk review *continued*

Rating-agency perspective

Rating agencies' assessment of an insurance company's risk management is an integral part of their financial strength credit analysis. Standard & Poor's (S&P) has a separate rating for Enterprise Risk Management. S&P's rating for Zurich's overall enterprise risk management is "strong." This reflects its positive view of the Group's risk management culture, risk controls, and strategic and emerging risk management. S&P regards these capabilities as enabling the Group to further optimize capital allocation and earnings.

Economic and geopolitical perspective

In the first half of 2013, after the U.S. fiscal crisis was averted, economic conditions improved in advanced markets. The new leadership in China maintained support for the economy, and there has been a welcome shift in policy towards strengthening domestic demand. Overall, risk assets started the year 2013 on a strong footing, supported by better economic data, reduced political risks and a notable shift in investor sentiment toward these asset classes.

In the second half of 2013, the global recovery appeared to have entered a more robust stage, both in advanced and emerging markets. The economic expansion was supported by continued loose monetary policy, while headwinds from elevated debt levels and fiscal austerity weakened. Geopolitically, the second half of 2013 was dominated by conflicts in the Middle East and North Africa and the situation in the region has remained very volatile.

During 2013, politics in the U.S. and in the Eurozone remained the key risk to the economic outlook. While the risk of a Eurozone breakdown receded, following decisive action from the European Central Bank and the marked improvements in peripheral funding conditions, longer-term uncertainty has remained. A further adjustment of debt and increased competitiveness is required in a number of countries. Also, U.S. fiscal policy remained a concern throughout the year.

External interactions

The Group maintains close working relationship with such stakeholders as external organizations and expert groups.

Zurich is a major contributor to the Global Risk Report that is produced by the World Economic Forum in cooperation with other WEF partners. The report's assessment of the most pressing global risks and the interconnections among them provides valuable information for risk mitigation across the globe. Supporting the report by sharing Zurich's expertise is also part of Zurich's commitment to corporate responsibility.

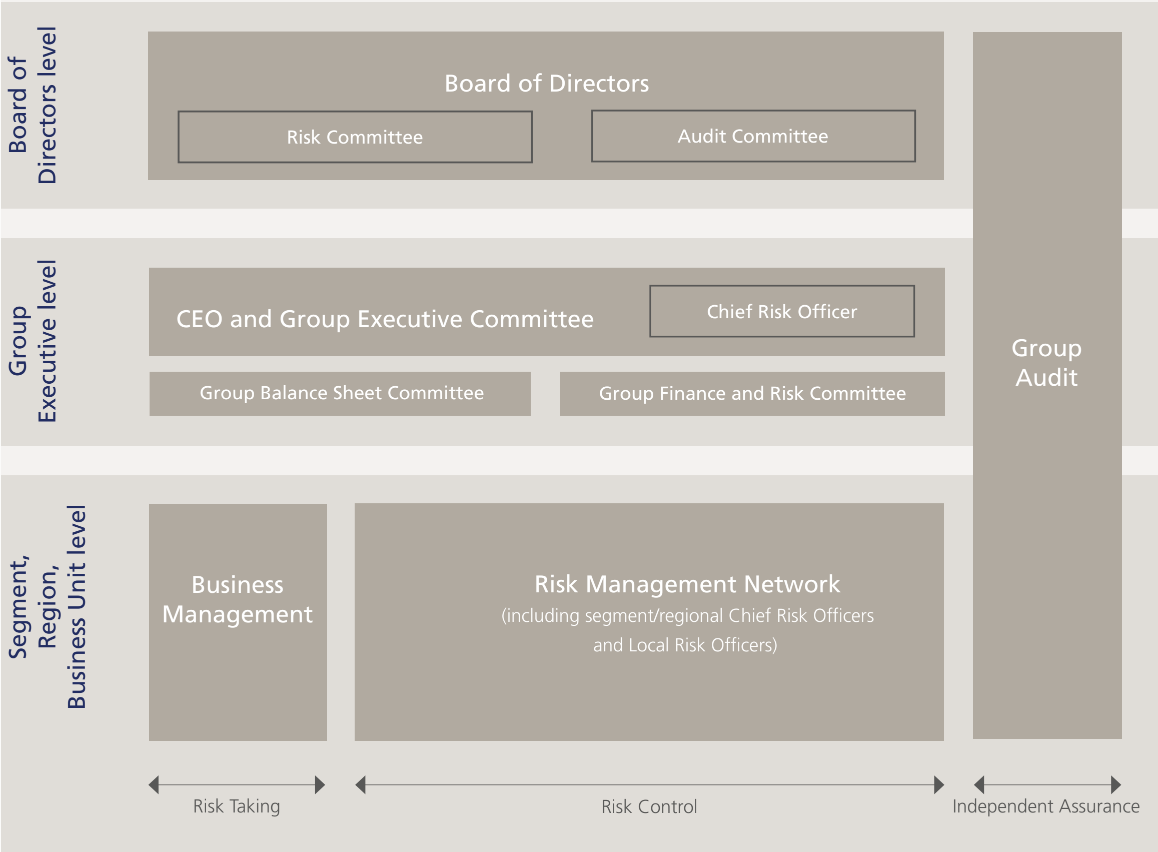
The Group is also involved in a number of international industry organizations engaged in advancing the regulatory dialogue and sound risk management practices. Zurich is a standing member of and actively contributes to the Emerging Risk Initiative of the CRO Forum (an organization composed of the chief risk officers of major insurance companies and financial conglomerates that focuses on developing and promoting insurance industry best practices in risk management).

The Group seeks external expertise from its International Advisory Council and Natural Catastrophe Advisory Council to better understand and assess risks, particularly regarding areas of complex change. For more information on these councils, see the "Corporate governance report (unaudited)." In addition, the Investment Management Advisory Council provides feedback to Investment Management on achieving superior risk-adjusted returns versus liabilities for the Group's invested assets.

Risk governance and risk management organization

The section below gives an overview of the Group's risk governance and risk management organization.

Risk governance overview



The overview above highlights only key elements of the governance framework that specifically relate to risk management.

Board of Directors level

The Board of Directors of Zurich Insurance Group Ltd has ultimate oversight responsibility for the Group's risk management. It establishes the guidelines for the Group's risk management framework and key principles, particularly as articulated in the Zurich Risk Policy, and approves changes to such guidelines and key principles, as well as transactions reaching specified thresholds.

The Risk Committee of the Board serves as a focal point for oversight regarding the Group's risk management, in particular the Group's risk tolerance, including agreed limits that the Board regards as acceptable for Zurich to bear, the aggregation of these limits across the Group, the measurement of adherence to risk limits, and the Group's risk tolerance in relation to anticipated capital levels. The Risk Committee further oversees the Group-wide risk governance framework, including risk management and control, risk policies and their implementation, as well as risk strategy and the monitoring of operational risks. The Risk Committee also reviews the methodologies for risk measurement and the Group's adherence to risk limits. The Risk Committee further reviews, with business management and the Group Risk Management function, the Group's general policies and procedures and satisfies itself that effective systems of risk management are established and maintained. It receives regular reports from Group Risk Management and assesses whether significant issues of a risk management and control nature are being appropriately addressed by management in a timely manner. The Risk Committee assesses the independence and objectivity of the Group Risk Management function, approves its terms of reference, reviews the activities, plans, organization and quality of the function, and reviews key risk management principles and procedures.

Risk review *continued*

To facilitate information exchange between the Audit Committee of the Board and the Risk Committee of the Board, at least one board member is a member of both committees. The Risk Committee met seven times in 2013 (once jointly with the Remuneration Committee).

To foster transparency about risk, the Board receives quarterly risk reports and additional updates. In 2013, reporting was further enhanced. Reports included in-depth risk insights into topics such as the development of new global capital standards and political risks in Latin America as well as emerging risks.

Group Executive level

The CEO, together with the Group Executive Committee (GEC), oversees the Group's performance with regard to risk management and control, strategic, financial and business policy issues of Group-wide relevance. This includes monitoring adherence to and further development of the Group's risk management policies and procedures. The Group Balance Sheet Committee and the Group Finance and Risk Committee regularly review and make recommendations on the Group's risk profile and significant risk-related issues.

The Chief Risk Officer is a member of the GEC and reports directly to the CEO and the Risk Committee of the Board. He is a member of each of the management committees listed below, in order to provide a common and integrated approach to risk management, to allow for appropriate assessment and, where necessary, mitigation of risks identified in these committees.

At a Group level the management committees dealing with risks are:

- Group Balance Sheet Committee (GBSC) – acts as a cross-functional body whose main function is to review and make recommendations regarding the activities that materially affect the balance sheets of the Group and its subsidiaries. The GBSC is charged with setting the annual capital and balance sheet plans for the Group based on the Group's strategy and financial plans, as well as recommending specific transactions or unplanned business changes to the Group's balance sheet. The GBSC has oversight of all main levers of the balance sheet, including capital management, reinsurance, asset/liability management, and liquidity. The GBSC reviews and recommends the Group's overall risk tolerance. It is chaired by the CEO.
- Group Finance and Risk Committee (GFRC) – acts as a cross-functional body for financial and risk management matters in the context of the strategy and the overall business activity of the Group. The GFRC oversees financial implications of business decisions and the effective management of the Group's overall risk profile, including risks related to insurance, financial markets and asset/liability, credit and operational risks as well as their interactions. The GFRC proposes remedial actions based on regular briefings from Group Risk Management on the risk profile of the Group. It reviews and formulates recommendations for future courses of action with respect to potential merger and acquisition (M&A) transactions, changes to the Zurich Risk Policy, internal insurance programs for the Group, material changes to the Group's risk-based capital methodology and the overall risk tolerance. The GFRC is chaired by the Chief Financial Officer, while the Chief Risk Officer acts as deputy.

The management committees rely on output provided by technical committees, including:

- Asset/Liability Management Investment Committee – deals with the Group's asset/liability exposure and investment strategies and is chaired by the Chief Investment Officer.
- General Insurance Global Underwriting Committee – acts as a focal point for underwriting policy and related risk controls for General Insurance and is chaired by the Global Chief Underwriting Officer for General Insurance.
- Group Reinsurance Committee – defines the Group's reinsurance strategy in alignment with the Group's risk framework and is chaired by the Global Head of Group Reinsurance.

Representatives of Group Risk Management are members of all these technical committees.

Group Risk Management organization

The Chief Risk Officer leads the Group Risk Management function, which develops methods and processes for identifying, measuring, managing, monitoring and reporting risks throughout the Group. Group Risk Management proposes changes to the risk management framework and the Group's risk policies; it makes recommendations on the Group's risk tolerance and assesses the risk profile. The Chief Risk Officer is responsible for the oversight of risks across the Group; he regularly reports risk matters to the Chief Executive Officer, senior management committees and the Risk Committee of the Board.

The Group Risk Management organization consists of central functions at Group level and a decentralized risk management network at segment, regional, business unit and functional levels.

At Group level there are two centers of expertise: risk analytics and risk and control. The risk analytics department quantitatively assesses insurance, financial market and asset/liability, credit and operational risks and is the Group's center of excellence for risk quantification and modeling. The risk and control department includes operational risk management, risk reporting, risk governance, and risk operations. The risk management network consists of the Chief Risk Officers (CROs) of the Group's segments and regions, and the Local Risk Officers (LROs) of the business units and functions and their staff. While their primary focus is on operational and business-related risks, they are responsible for providing a holistic view of risk for their area. The risk officers are part of the management teams in their respective businesses and therefore are embedded in the business. The LROs also report to the segment or regional CROs, who in turn report to the Group's Chief Risk Officer. The CROs of the Group's segments and regions are members of the leadership team of the Group's Chief Risk Officer.

In addition to the risk management network, the Group has audit and oversight committees at the major business and regional levels. The committees are responsible for providing oversight of the risk management and control functions. This includes monitoring adherence to policies and periodic risk reporting. At the local level, these oversight activities are conducted through risk and control committees or quarterly meetings between senior executives and the local heads of governance functions.

Risk review *continued*

Analysis by risk type

Risk type description

In order to enable a consistent, systematic and disciplined approach to risk management, Zurich categorizes its main risks as follows:

- Strategic – unintended risk that can result as a by-product of planning or executing the strategy
- Insurance – risk associated with the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities
- Market – risk associated with the Group's balance sheet positions where the value or cash flow depends on financial markets
- Credit – risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations
- Liquidity – risk that the Group does not have sufficient liquidity to meet its obligations when they fall due, or would have to incur excessive costs to do so
- Operational – risk associated with the people, processes and systems of the Group, and external events such as outsourcing, catastrophes, legislation, or external fraud
- Reputation – risk that an act or omission by the Group or any of its employees could result in damage to the Group's reputation or loss of trust among its stakeholders

The Zurich Economic Capital Model quantifies the internal capital for insurance, market, credit and operational risks. See "Internal model capital adequacy (unaudited)" for more information.

Strategic risk

Strategic risk corresponds to the unintended risk that can result as a by-product of planning or executing the strategy. A strategy is a long term plan of action designed to allow the Group to achieve its goals and aspirations. Strategic risks can arise from:

- Inadequate assessment of strategic plans
- Improper implementation of strategic plans
- Unexpected changes to assumptions underlying strategic plans

Risk considerations are a key element in the strategic decision-making process. The Group assesses the implications of strategic decisions on risk-based return measures and risk-based capital in order to optimize the risk-return profile and to take advantage of economically profitable growth opportunities as they arise.

The Group works on reducing the unintended risks of strategic business decisions through its risk assessment processes and tools, including the Total Risk Profiling™ process. The Group Executive Committee regularly assesses key strategic risk scenarios for the Group as a whole, including scenarios for emerging risks and their strategic implications.

The Group specifically evaluates the risks of 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 the integration of acquired businesses.

Insurance risk

Section highlights

- In 2013, the Group restructured its reinsurance covers for natural catastrophe events. While the retention for the regional catastrophe treaties was increased, the co-participation was reduced to 10 percent.
- The cession rate for both General Insurance and Global Life remained stable. Due to its strong balance sheet, Zurich is able to structure and align its reinsurance programs to achieve an optimum risk/reward ratio.

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities. The exposure is transferred to Zurich through the underwriting process. Zurich actively seeks to write those risks it understands and that provide a reasonable opportunity to earn an acceptable profit. As Zurich assumes certain customer risks, it aims to manage that transfer of risk, and minimize unintended underwriting risks, through such means as:

- Establishing limits for underwriting authority
- Requiring specific approvals for transactions involving new products or, where established, limits of size and complexity may be exceeded
- Using a variety of reserving and modeling methods to address the various insurance risks inherent in the Group's insurance business
- Ceding insurance risk through proportional, non-proportional and facultative reinsurance treaties. The Group centrally manages reinsurance treaties.

General insurance risk

General insurance risk includes the reasonable possibility of significant loss due to uncertainty in the frequency of the occurrence of the insured events as well as in the severity of the resulting claims. The following provides an overview of the Group's main lines of business:

- Motor includes automobile physical damage, loss of the insured vehicle and automobile third party liability insurance.
- Property includes fire risks (for example fire, explosion and business interruption), natural perils (for example earthquake, windstorm and flood), engineering lines (for example boiler explosion, machinery breakdown and construction) and marine (cargo and hull).
- Liability includes general/public and product liability, excess and umbrella liability, professional liability including medical malpractice, and errors and omissions liability.
- Special lines include directors and officers, credit and surety, crime and fidelity, accident and health, and crop.
- Worker injury includes workers compensation and employers liability.

The Group's underwriting strategy is to take advantage of the diversification of general insurance risks across lines of business and geographic regions. The Group seeks to optimize shareholder value by achieving its mid-term return on equity goals. Doing so necessitates a prudent, stable underwriting philosophy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility. At the core of the Group's underwriting is a robust governance process. The Group's four major processes for underwriting governance – underwriting strategy, authorities, referrals and reviews – are implemented at Group and local levels.

A fundamental component of managing insurance risk is underwriting discipline. The Group sets limits on underwriting capacity, and cascades authority to individuals based on their specific expertise. The Group sets appropriate pricing guidelines with a focus on consistent technical pricing across the organization. As part of these guidelines, the Group requires the setting of a technical price according to common standards. The technical price is set in a way that allows a return on risk-based capital in line with the Group's target. The ratio of actual premium to technical price is a key performance metric, which is monitored regularly. Technical reviews confirm whether underwriters perform within authorities and adhere to underwriting philosophies and policies. The Group's global line of business networks share best practices across the globe, providing additional guidance and governance. The Group has governance procedures to review and approve potential new products to evaluate whether the risks are well understood and justified by the potential rewards.

The Group faces the risk that actual losses emerging on claims provisions may be higher than anticipated. Because of this uncertainty, general insurance reserves are regularly measured, reviewed and monitored. The total loss and loss

Risk review *continued*

adjustment expense reserves are based on work performed by qualified and experienced actuaries at the local, regional and Group level.

To arrive at their reserve estimates, the actuaries take into consideration, among other things, the latest available facts, historical trends and patterns of loss payments, exposure growth, court decisions, economic conditions, in particular inflation, and public attitudes that may affect the ultimate cost of settlement. Inflation is monitored on a country basis; the monitoring process relies on both Zurich's economic view on inflation and specific claims activity, and feeds into actuarial models and Zurich's underwriting processes such as technical price reviews.

In most instances, these actuarial analyses are conducted at least twice a year for on-going business according to agreed timetables. Analyses are performed by product line, type and extent of coverage and year of occurrence. The Group has reserve committees to facilitate communications and reporting regarding reserve opinions. A series of reserve committees feed from the local level to regions and segments and into a Group reserve committee, where the Group's total loss and loss adjustment expense reserves are consolidated and recommended for approval by Group management. As with any projection, there is an inherent uncertainty in the estimation of claim reserves due to the fact that the ultimate liability for claims will be impacted by trends as yet unknown, including future changes in the likelihood of claimants bringing suit, the size of court awards, and the attitudes of claimants toward settlement of their claims.

The Group closely monitors potential new emerging risk exposures. Zurich has an Emerging Risk Group, with cross-functional expertise from core insurance functions such as underwriting, claims and risk in order to identify, assess and recommend actions for such risks.

In addition to the specific risks insured, each line of business could expose the Group 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 senior management. The most important peril regions and risks are United States and Caribbean tropical cyclone, Europe windstorm and California earthquake, as well as potential terrorism exposures.

Tables 1.a and 1.b show the Group's concentration of risk within the General Insurance business by region and line of business based on direct written premiums before reinsurance. The Group's exposure to general insurance risks varies significantly by geographic region and may change over time. General insurance premiums ceded to reinsurers (including retrocessions) amounted to USD 6.0 billion and USD 5.9 billion for the years ended December 31, 2013 and 2012, respectively. Reinsurance programs such as catastrophe covers are managed on a global basis, and therefore, net premium after reinsurance is monitored on an aggregated basis.

General Insurance – Direct written premiums and policy fees by line of business and by region – current period

Table 1.a

in USD millions, for the year ended December 31, 2013	Motor	Property	Liability	Special lines	Worker injury	Total
North America	1,414	3,501	3,454	1,695	2,558	12,621
Europe	5,827	4,657	2,441	2,067	467	15,458
Other regions[1]	2,505	1,938	480	1,045	193	6,161
Total	**9,746**	**10,095**	**6,376**	**4,806**	**3,217**	**34,240**

[1] Including intercompany eliminations

General Insurance – Direct written premiums and policy fees by line of business and by region – prior period

Table 1.b

in USD millions, for the year ended December 31, 2012	Motor	Property	Liability	Special lines	Worker injury	Total
North America	1,372	3,225	3,313	1,628	2,463	12,000
Europe	5,854	4,613	2,400	2,029	437	15,333
Other regions[1]	2,364	1,943	462	1,114	176	6,060
Total	**9,590**	**9,782**	**6,175**	**4,771**	**3,075**	**33,393**

[1] Including intercompany eliminations

Sensitivities analysis for general insurance risk

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. Such an increase could arise from either higher frequency of the occurrence of the insured events or from an increase in the severity of resulting claims or from a combination of frequency and severity. 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 presentation of the sensitivity analysis in tables 2.a and 2.b, each additional percentage point increase in the loss ratio would lead to a linear impact on net income before tax and net assets. In addition, the Group monitors insurance risk by evaluating extreme scenarios, taking into account non-linear effects of reinsurance contracts.

Insurance risk sensitivity for the General Insurance business – current period

Table 2.a

in USD millions, for the year ended December 31, 2013	Global Corporate	North America Commercial	Europe	International Markets
+1% in net loss ratio				
Net income before tax	(61)	(76)	(116)	(45)
Net assets	(46)	(57)	(87)	(34)

Insurance risk sensitivity for the General Insurance business – prior period

Table 2.b

in USD millions, for the year ended December 31, 2012	Global Corporate	North America Commercial	Europe	International Markets
+1% in net loss ratio				
Net income before tax	(55)	(76)	(118)	(43)
Net assets	(41)	(57)	(88)	(32)

Modeling natural catastrophes

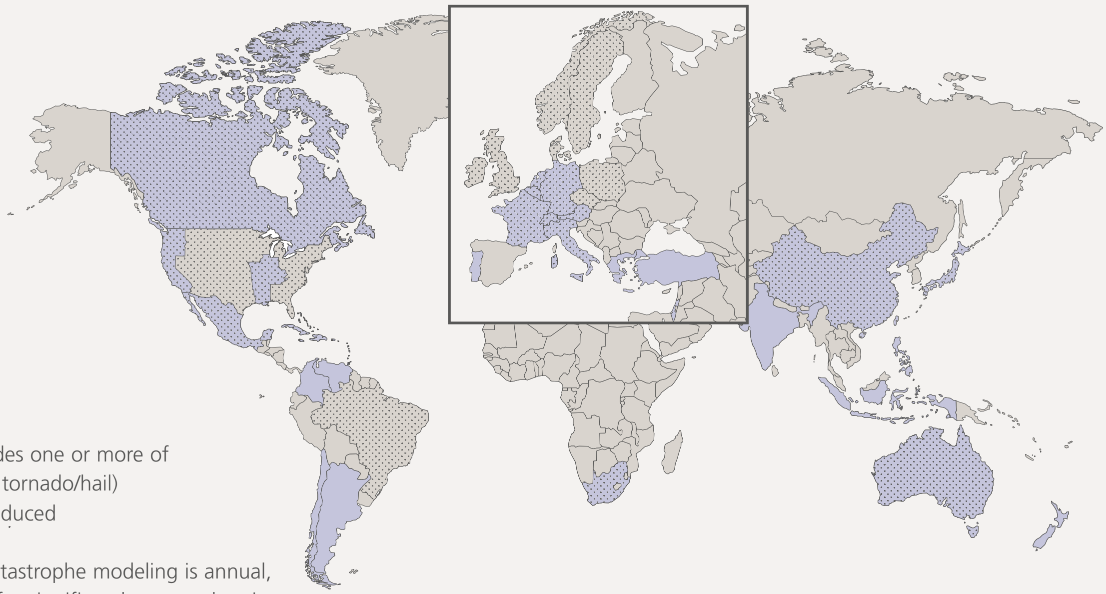
Understanding the potential effects of natural catastrophes is a critical component of risk management for general insurance. While specific catastrophes are unpredictable, modeling helps to determine potential losses should catastrophes occur. The Group uses a combination of third-party and in-house models to manage its underwriting and accumulations in modeled areas to stay within intended exposure limits and to guide the levels of reinsurance Zurich buys.

The Group models exposures in a center of excellence for consistency in approach and to form a global perspective on accumulations. The center of excellence works with the local businesses to help improve the overall quality of data, by analyzing and comparing data quality levels, providing priorities for data quality improvements and supporting implementation with advice and external data, where required. The Group models potential losses from property policies located in hazard-prone areas with material exposure and from workers' compensation policies covering earthquakes in California. Other non-property related losses are quantified based on adjustments. The risk modelling principally addresses climate-induced perils such as windstorms, river floods, tornadoes and hail, and geologically induced perils such as earthquakes. The Group constantly seeks to improve its modeling, fill in gaps in models with additional assessments and increase the granularity of data collection in order to enhance the accuracy and utility of the information.

With an expanded catastrophe research and development team, the Group continues to improve the "Zurich view" of catastrophe risk by using output from multiple catastrophe models, by using internal and external expertise, for instance through the Natural Catastrophe Advisory Council, a group of scientists associated with research organizations such as the U.S. National Center for Atmospheric Research, the United States Geological Survey and the Intergovernmental Panel on Climate Change. Zurich further validates modeling results through comparisons with claims experience. In addition, Zurich continues its effort to extend assessments by evaluating potential non-modeled catastrophe hotspots and including appropriate modeling or loadings for non-modeled lines.

Risk review *continued*

Peril regions assessed for 2013



Georisks (earthquake)
Climate-induced (includes one or more of windstorm, river flood, tornado/hail)
Georisks and climate-induced

Zurich's Group-wide catastrophe modeling is annual, with quarterly reviews for significantly exposed regions.

Risks from man-made catastrophes

Man-made catastrophes include such risks as industrial accidents and terrorism attacks. Zurich's experience in monitoring potential exposures from natural catastrophes is also applicable to threats posed by man-made catastrophes, particularly terrorism.

The Group reviews and aggregates worker injury and property exposures to identify areas of significant concentration. The Group also assesses other lines of business, such as liability and auto, although the potential exposure is not as significant. The resulting data allows underwriters to evaluate how insuring a particular customer's risk might affect Zurich's overall exposure. In North America, Zurich uses a vendor-provided catastrophe model to evaluate potential exposures in every major U.S. city. The Group undertakes more detailed and frequent analytics for cities in which Zurich has greater exposure, and continues to refine its reporting about such risks.

Although the Group's analysis has shown its exposures outside North America are lower, in large part due to government-provided pools; the Group has extended its approach to improve its view of the risk for countries with the next greatest potential net exposure. The Group periodically monitors accumulation limits for these and other areas, and continues to refine its analytics.

Life insurance risk

The risks associated with life insurance include:

- Mortality – risk that actual policyholder death experience on life insurance policies is higher than expected.
- Longevity – risk that annuitants live longer than expected.
- Morbidity – risk that policyholder health-related claims are higher than expected.
- Policyholder behavior – risk that policyholders' behavior in discontinuing and reducing contributions or withdrawing benefits prior to the maturity of contracts is worse than expected. Poor persistency rates may lead to fewer policies remaining on the books to defray future fixed expenses and therefore reduce the future positive cash flows from the business written, potentially impacting its ability to recover deferred acquisition expenses.
- Expense – risk that expenses incurred in acquiring and administering policies are higher than expected.
- Market – 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" section.
- Credit – risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations, which is analyzed in the "Credit risk" section.

A more diversified portfolio of risks is less likely to be affected across the board by a change in any subset of the risks. As a result, the offsetting effects between unit-linked and traditional business reduce some of the risk associated with the Global Life business.

The Group has local product development committees and a Group-level product approval committee, under the leadership of the Global Life Chief Risk Officer, for potential new life products that could significantly increase or change the nature of its risks. Such reviews allow Zurich to manage new risks inherent in its new business propositions. The Group regularly reviews the continued suitability and the potential risks of existing life products.

The Group's use of market-consistent embedded value reporting principles allows Zurich to further understand and report on the risk profile of its life products and how risks would change in differing market conditions. Embedded value is the measure that markets use to value life businesses. For more information, see the "Embedded value report."

From a risk-management perspective, unit-linked products have been designed in order to reduce much of the market and credit risk associated with traditional business for the Group. Those risks inherent in these products are largely passed on to the policyholder, although a portion of the Group's management fees are linked to the value of funds under management and hence are at risk if the fund values decrease. Unit-linked products carry mortality/morbidity risk and market risk to the extent that there are guarantees built into the product design. Contracts may have minimum guaranteed death benefits where the sum at risk depends on the fair value of the underlying investments. For certain contracts these risks are mitigated by explicit mortality and morbidity charges.

Other life insurance liabilities include traditional life insurance products, which include protection products and life annuity products. Protection products carry mortality, longevity and morbidity risk as well as market and credit risk. The most significant factors that could increase the frequency of mortality claims are epidemics, such as strains of influenza, or lifestyle changes such as eating, drinking and exercise habits, resulting in earlier or more claims than expected. Morbidity claims experience would not only be affected by the factors mentioned above, but because disability is defined in terms of the ability to perform an occupation, it could also be affected by economic conditions. In order to reduce cross-subsidies in the pricing basis, premiums are differentiated, where permitted, for example by product, age, gender and smoker status. The policy terms and conditions and the disclosure requirements contained in insurance applications are designed to mitigate the risk arising from non-standard and unpredictable risks that may result in severe financial loss.

In the life annuity business, the most significant insurance risk is continued medical advances and improvement in social conditions that lead to increases in longevity. Annuitant mortality assumptions include allowance for future mortality improvements.

In addition to the specific risks listed above, the Group is exposed to policyholder behavior and expense risks. Policyholder behavior risk is mitigated by product designs that match revenue and expenses associated with the contract as closely as possible. Expense risk is mitigated by careful control of expenses and by regular expense analyses and allocation exercises.

Risk review *continued*

Certain life insurance contracts contain guarantees for which liabilities have been recorded for additional benefits and minimum guarantees. These arise primarily in the subsidiary Zurich American Life Insurance Company (ZALICO) which in the past wrote variable annuity contracts that provide policyholders with certain guarantees related to minimum death and income benefits. After 2001, ZALICO no longer issued new policies with such features. The Group has a dynamic hedging strategy to manage its economic exposure and reduce the volatility associated with its closed book of variable annuities products within its U.S. life business. New Life products developed with financial guarantees are subject to review and approval by the Group-level product approval committee. The Group is also exposed to risks arising out of Bank Owned Life Insurance contracts sold in the U.S. See heading "other contracts" in note 7 of the Consolidated financial statements for additional information.

The Group defines concentration risk in the Global 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.

Zurich is exposed to two main types of concentration risk in its Global Life business:

- From a market risk perspective, interest rate guarantees in Germany and Switzerland expose Zurich to financial losses that may arise as a result of adverse movements in interest rates. The Group also wrote a small book of variable annuity business in the U.S. with minimum guaranteed death benefits, but ceased writing new business in 2012. The management of these guarantees is a combination of asset-liability matching and hedging; see the "Market risk" section.
- From an insurance risk perspective, the main factors that would affect concentration risk include mortality risk, morbidity risk, longevity risk, policyholder behavior risk (lapse, anti-selection) and expense risk. There is diversification across geographical regions, lines of business and even across the different insurance risk factors such that Zurich is not exposed to significant concentrations of insurance risk.

Table 3 shows the Group's concentration of risk within the life business by region and line of business based on reserves for life insurance on a net basis. 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.

Reserves, net of reinsurance, by region

Table 3

in USD millions, as of December 31	Unit-linked insurance contracts		Other life insurance liabilities		Total reserves	
	2013	2012	**2013**	2012	**2013**	2012
Global Life						
North America	730	627	5,473	5,307	6,204	5,934
Latin America	9,416	10,256	5,336	5,204	14,751	15,460
Europe	48,939	47,979	82,007	80,468	130,945	128,447
United Kingdom	26,452	28,719	5,001	5,200	31,453	33,919
Germany	13,437	11,095	43,728	43,084	57,165	54,179
Switzerland	767	708	20,074	19,741	20,841	20,450
Ireland	2,660	1,731	1,971	1,727	4,631	3,458
Spain	4,737	4,808	6,189	5,981	10,926	10,789
Rest of Europe	885	918	5,044	4,734	5,929	5,652
Asia-Pacific and Middle East	3,927	3,371	2,860	3,035	6,787	6,406
Other	16	10	350	284	366	294
Eliminations	–	–	–	4	–	4
Subtotal	**63,028**	**62,243**	**96,025**	**94,302**	**159,053**	**156,545**
Other segments[1]	11,844	11,874	4,076	4,915	15,921	16,789
Total	**74,873**	**74,117**	**100,101**	**99,217**	**174,974**	**173,334**

[1] See note 28 of the Consolidated financial statements for additional information on the Group's segments.

Sensitivities analysis for life insurance risk

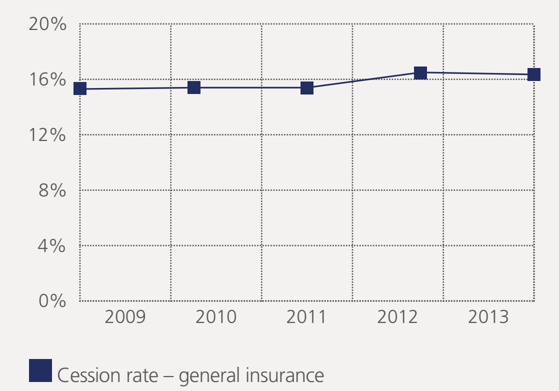
The Group reports sensitivities for the Global Life business on Embedded Value and New Business Value to changes in economic and operating risk factors. The operating factors include discontinuance rates, expenses, mortality and morbidity. The embedded value methodology adopted by the Group is based on a market-consistent approach to allow explicitly for market risks. See the "Embedded value report" for more information on the sensitivities for the Global Life business to economic and operating risk factors.

Reinsurance for general insurance and life insurance

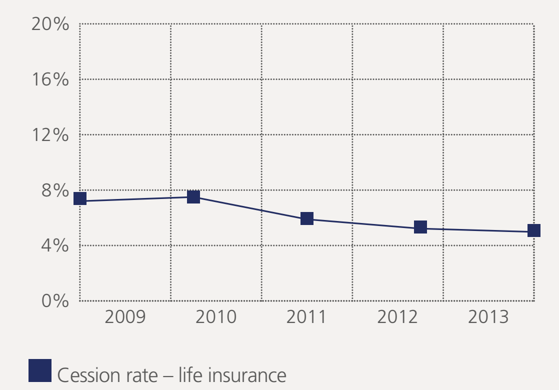
The Group's objectives for purchasing reinsurance are to provide market-leading capacity for customers while protecting the balance sheet and optimizing the Group's capital efficiency. The Group follows a centralized purchasing strategy for both segments, General Insurance and Global Life, and bundles programs, where appropriate, to benefit from diversification and economies of scale. These efforts for General Insurance have led to a decreasing expenditure for treaty reinsurance while growth in the General Insurance Global Corporate business has increased premium cessions to captives and co-reinsurers, resulting in an overall stable cession rate.

Due to its strong balance sheet, Zurich is able to structure and align its reinsurance programs to achieve an optimum risk/reward ratio. Zurich manages its central reinsurance purchasing according to these principles. The Group is therefore able to manage its risks to retain a significant and stable portion of its gross written premiums, as shown in the charts below.

Ceded premium – trend
(% of general insurance gross written premiums ceded to reinsurers)



Ceded premium – trend
(% of life insurance gross written premiums ceded to reinsurers)



The Group continues to use traditional reinsurance markets and other alternatives, such as catastrophe bonds, to protect against extreme single events and increased frequency of events. The Group is able to use its global reach in particular for catastrophe protection. It has in place a combination of per event and annual aggregate covers, which protects the Group's business both per event and by region, and also for multiple events across regions. This helps to reduce the risks posed by the frequency of catastrophes, as well as their severity.

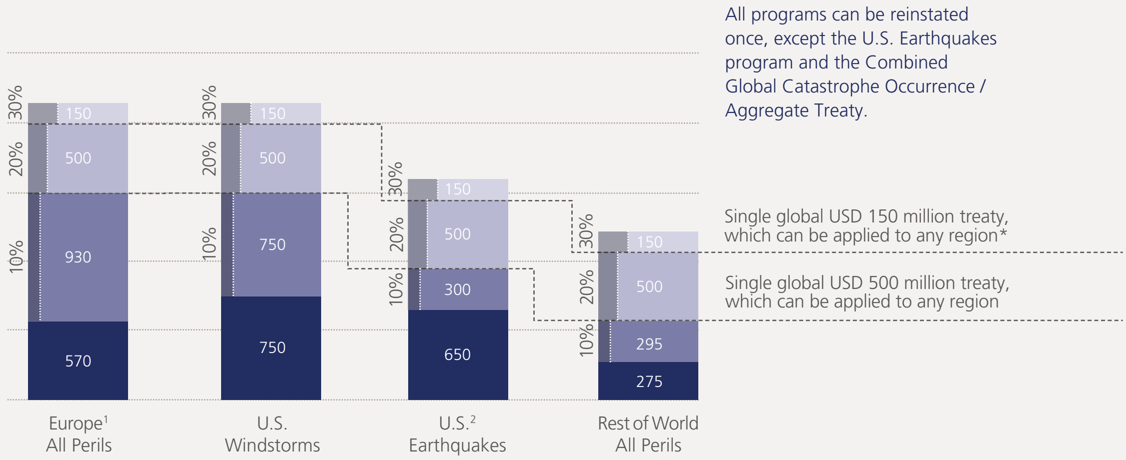
The Group uses reinsurance to manage risk to unusually severe or unusually frequent events, as illustrated on the following page, through the main in-force reinsurance covers as of December 31, 2013 for natural catastrophe events.

The Group participates in the underlying risks through its retention and through its co-participation in the excess layers. The contracts are on a loss-occurrence basis except the aggregate catastrophe cover Lakeside Re III Cat bond which operate on an annual aggregate basis. In addition to these covers, the Group has per risk programs, local catastrophe covers, a bilateral risk swap and a catastrophe bond in place. These covers are reviewed continuously and are subject to change going forward. The current covers are placed annually: January 1 for the U.S. Program and the Global Aggregate Catastrophe Cover; April 1 for the European Program and July 1 for the Rest of the World Program.

In 2013, the Group restructured its reinsurance covers for natural catastrophe events. While the retention for the regional catastrophe treaties was increased, the co-participation was reduced to 10 percent. A new Global Catastrophe Treaty covering extreme single events and a Combined Global Catastrophe Occurrence/Aggregate Treaty covering either aggregate losses or individual large events have been put in place.

Risk review *continued*

Reinsurance for natural catastrophes by region – unusually severe catastrophe events
(in USD millions, as of December 31, 2013)

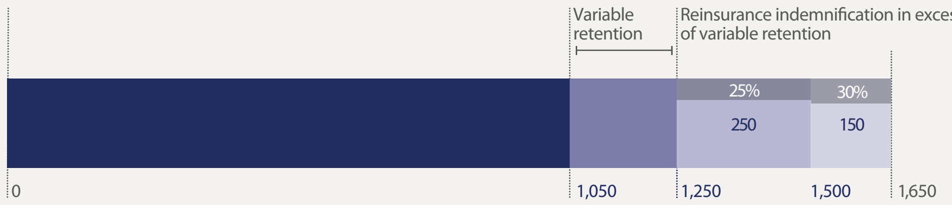


- Losses retained for individual events
- Reinsurance secured under regional catastrophe treaties
- Reinsurance secured under Global Catastrophe Treaty
- Reinsurance secured under Combined Global Catastrophe Occurrence / Aggregate Treaty*
- % of co-participation

* This USD 150 million cover is the same Combined Global Catastrophe Occurrence / Aggregate Treaty presiding over the Global Catastrophe Treaty. This cover can be used only once, either for aggregated losses or for an individual event.

[1] Original cover is in EUR. Conversion rate EUR/USD 1.345 has been applied to calculate the corresponding USD amount.
[2] Lakeside Re III - Cat Bond

Reinsurance for natural catastrophes, aggregated – unusually frequent catastrophe events
(in USD millions, as of December 31, 2013)



- All natural catastrophe losses exceeding USD 35 million are aggregated.
- Variable retention up to a maximum of USD 1,250 million, depending on the peril regions hit and the frequency
- Reinsurance secured under Global Aggregate Catastrophe Treaty
- Reinsurance secured under Combined Global Catastrophe Occurrence / Aggregate Treaty*
- % of co-participation

* This USD 150 million cover is the same Combined Global Catastrophe Occurrence / Aggregate Treaty presiding over the Global Catastrophe Treaty. This cover can be used only once, either for aggregated losses or for an individual event.

Market risk

Section highlights

- The Group has slightly increased its investments in equity markets, in particular in the second part of the year, as the financial markets continued to recover. Risks from interest rates and credit spreads have remained stable.

Market risk is the risk associated with the Group's balance sheet positions where the value or cash flow depends on financial markets. Fluctuating risk drivers resulting in market risk include:

- Equity market prices
- Real estate market prices
- Interest rates and credit spreads
- Currency exchange rates

The Group manages the market risk of assets relative to liabilities on an economic total balance sheet basis. It strives to maximize the economic risk-adjusted excess return of assets relative to the liability benchmark taking into account the Group's risk tolerance as well as local regulatory constraints.

The Group has policies and limits to manage market risk. It aligns its strategic asset allocation to its risk-taking capacity. Zurich centralizes management of certain asset classes to control aggregation of risk, and provides a consistent approach to constructing portfolios and selecting external asset managers. It also diversifies portfolios, investments and asset managers. Zurich regularly measures and manages market risk exposure. The Group has established limits on concentration in investments by single issuers and certain asset classes as well as deviations of asset interest rate sensitivities from liability interest rate sensitivities, and the Group limits investments that are illiquid.

The Group Balance Sheet Committee reviews and recommends the Group's capital allocation to market risk, while the Asset/Liability Management Investment Committee reviews and monitors the Group's strategic asset allocation and tactical boundaries and monitors the Group's asset/liability exposure. The Group oversees the activities of local Asset/Liability Management Investment Committees and regularly assesses market risks both at a Group and at a local business level. Risk assessment includes quantification of the contributions to financial market risk from major risk drivers. 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. Risk mitigation actions are taken if necessary to manage fluctuations affecting asset/liability mismatch and risk-based capital.

The Group uses derivative financial instruments to limit market risks arising from changes in currency exchange rates, interest rates and equity prices, from credit quality of assets and liabilities and 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. The latter include cross-currency interest rate swaps in fair value hedges and cross-currency swaps in cash flow hedges of Zurich's borrowings, in order to mitigate exposure to foreign currency and interest rate risk. In compliance with Swiss insurance regulation, the Group's policy prohibits speculative trading in derivatives, meaning a pattern of "in and out" activity without reference to an underlying position. Derivatives are complex financial transactions; therefore, 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*

Risk from equity securities and real estate

The Group is exposed to various risks resulting from price fluctuations on equity securities and real estate. Risks arising from equity securities and real estate could affect the Group's liquidity, reported income, surplus and regulatory capital position. The exposure to equity risk includes common stocks, including equity unit trusts, common stock portfolios backing participating-with-profit policyholder contracts, and equities held for employee benefit plans. The exposure to real estate risk includes direct holdings in real estate, listed real estate company shares and funds, as well as real estate debt securities such as commercial and residential mortgages, commercial and residential mortgage-backed securities and mezzanine debt. 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 both with respect to earnings and with respect to economic capital. Market movements impact 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 impacted by adverse movements in equity and real estate markets.

The Group manages its risks from 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 has limits for holdings in equities, real estate and alternative investments.

For additional information on equity securities and real estate held for investment, see note 6 of the Consolidated financial statements.

Risk from interest rate and credit spread

Interest rate risk is the risk of loss resulting from changes in interest rates, including changes in the shape of yield curves. The Group is exposed to interest rate risk including from debt securities, reserves for insurance contracts, liabilities for investment contracts, employee benefit plans and loans and receivables. Changes in interest rates affect the Group's held-to-maturity floating-rate debt securities and unhedged floating-rate borrowings through fluctuations in interest income and interest expense. Changes in interest rates affect the Group's held-for-trading debt securities and fair value hedged borrowings through periodic recognition of changes in their fair values through the income statement. Changes in interest rates affect the Group's available-for-sale debt securities through periodic recognition of changes in their fair values through shareholders' equity. Zurich has limits on holdings in real assets and limits on deviations of asset interest rate sensitivities from liability interest rate sensitivities. The Group also 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.

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 in so far as they impact the amount of fee income earned if the fee income level is dependent on the valuation of the asset base.

Risk management initiatives during 2013

The Group unwound part of its euro receiver swaptions program in the first half of 2013 following the decrease in interest rate exposure in its German life business. The Group has slightly increased its investments in equity markets, in particular in the second part of the year, as the financial markets continued to recover. Risks from interest rates and credit spread have remained stable.

Analysis of market risk sensitivities

Basis of presentation – General Insurance and rest of the businesses

The basis of the presentation below is an economic valuation represented by the fair value for Group investments, IFRS insurance liabilities discounted at risk-free market rates (the Group describes risk-free market rates as swap rates) to reflect the present value of insurance liability cash flows and other liabilities, for example own debt. In the sensitivities, own debt does not include subordinated debt, which Zurich considers available to protect policyholders in a worst-case scenario.

Tables 4.a, 4.b, 6.a and 6.b show the estimated economic market risk sensitivities of Group investments, including real estate for own use, liabilities, including insurance and financial liabilities, and the net impact for General Insurance and the rest of the businesses. Positive values represent an increase of the balance, whereas values in parentheses represent a decrease of the balance. Mismatches in changes in value of assets relative to liabilities represent an economic risk to the Group. The net impact is the difference between the impact on Group investments and liabilities. It represents the economic risk the Group faces related to changes in market risk factors.

In determining the sensitivities, investments and liabilities are fully re-valued in the given scenarios. Each instrument is re-valued separately taking the relevant product features into account. Non-linear effects, where they exist, are reflected in the model. The sensitivities are shown after tax. They do not include the impact of Group-internal transactions.

Tables 6.a and 6.b show sensitivities for the rest of the businesses include Farmers, Other Operating Businesses and Non-Core Businesses. Where Non-Core Businesses includes business with life insurance characteristics, the analysis is based on market-consistent embedded value market risk sensitivities. See the "Embedded value report" for more details on the market risk sensitivities specifications.

Limitations of the analysis:

- The sensitivity analysis does not take into account actions that might be taken to mitigate losses. This strategy may involve changing the asset allocation, for example through selling and buying assets.
- The 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 spreads risk sensitivities.
- The equity market scenarios assume a concurrent movement of all stock markets.
- 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 sensitivities, management uses stress scenarios to assess the impact of more severe market movements on the Group's financial condition. For more information on stress scenarios, see table "Sensivities for the Z-ECM ratio (unaudited)".
- The sensitivity analysis is based on economic net assets, and not on shareholders' equity or net income as set out in the Consolidated financial statements.
- The sensitivity analysis is calculated after tax; the Group effective tax rate is 24.9 percent for 2013 and 24.7 percent for 2012.

Basis of presentation – Global Life

Tables 5.a and 5.b show the estimated economic sensitivity of the Embedded Value of the Global Life business to financial market movements. In modeling these exposures, where appropriate, allowance has been made for dynamic actions that would be taken by management or by policyholders. For contracts with financial options and guarantees, such as some participating business, movements in financial markets can change the nature and value of these benefits. The dynamics of these liabilities are captured so that this exposure is quantified, monitored, managed and where appropriate, mitigated.

Limitations of the analysis:

- The sensitivities show the effects of a change in certain risk factors, while other assumptions remain unchanged, except where they are directly affected by the revised conditions.
- The market risk scenarios assume a concurrent movement of all stock markets and an unrelated parallel shift of all interest rates in different currencies.
- The assumptions on policyholder behavior, such as lapsing of policies, included in the sensitivity analysis for Global Life may be different from actual behavior. Therefore, the actual impact may deviate from the analysis.

For more information, see the "Embedded value report."

Risk review *continued*

Analysis of economic sensitivities for interest rate risk

Tables 4.a to 6.b show the estimated impacts of a 100 basis point increase/decrease in yield curves of the major currencies U.S. dollar (USD), euro (EUR), British pound (GBP), Swiss franc (CHF) and "other currencies" after consideration of hedges in place, as of December 31, 2013 and 2012, respectively.

Economic interest rate sensitivities for the General Insurance business – current period

Table 4.a

in USD millions, as of December 31, 2013	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Group investments	(1,346)	(636)	(316)	(328)	(187)	**(2,813)**
Liabilities	(915)	(469)	(309)	(294)	(148)	**(2,136)**
Net impact before tax	(430)	(168)	(7)	(34)	(39)	**(677)**
Tax impact	107	42	2	8	10	**169**
Net impact after tax	(323)	(126)	(5)	(25)	(29)	**(509)**
100 basis points decrease in the interest rate yield curves						
Group investments	1,324	625	342	288	186	**2,766**
Liabilities	922	456	341	317	152	**2,188**
Net impact before tax	402	169	–	(29)	34	**577**
Tax impact	(100)	(42)	–	7	(9)	**(144)**
Net impact after tax	302	127	–	(21)	26	**434**

Economic interest rate sensitivities for the General Insurance business – prior period

Table 4.b

in USD millions, as of December 31, 2012	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Group investments	(1,314)	(578)	(352)	(341)	(186)	**(2,772)**
Liabilities	(1,146)	(411)	(368)	(364)	(109)	**(2,397)**
Net impact before tax	(168)	(167)	16	22	(78)	**(375)**
Tax impact	42	41	(4)	(6)	19	**93**
Net impact after tax	(127)	(126)	12	17	(59)	**(282)**
100 basis points decrease in the interest rate yield curves						
Group investments	1,005	490	351	237	184	**2,266**
Liabilities	1,049	342	391	334	111	**2,228**
Net impact before tax	(44)	147	(41)	(97)	73	**38**
Tax impact	11	(36)	10	24	(18)	**(9)**
Net impact after tax	(33)	111	(31)	(73)	55	**29**

Economic interest rate sensitivities for the Global Life business – current period

Table 5.a

in USD millions, as of December 31, 2013	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Total impact on Embedded Value	(211)	(195)	(72)	(4)	57	**(425)**
100 basis points decrease in the interest rate yield curves						
Total impact on Embedded Value	162	213	55	(37)	44	**437**

Table 5.b

Economic interest rate sensitivities for the Global Life business – prior period

in USD millions, as of December 31, 2012	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Total impact on Embedded Value	(130)	(165)	(98)	142	(100)	**(350)**
100 basis points decrease in the interest rate yield curves						
Total impact on Embedded Value	61	365	111	(140)	68	**465**

Table 6.a

Economic interest rate sensitivities for the rest of the businesses – current period

in USD millions, as of December 31, 2013	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Group investments	(798)	(112)	1	(56)	–	**(966)**
Liabilities	(390)	(194)	(21)	(131)	–	**(736)**
Net impact before tax	(409)	82	22	75	–	**(230)**
Tax impact	102	(21)	(5)	(19)	–	**57**
Net impact after tax	(307)	62	16	57	–	**(172)**
100 basis points decrease in the interest rate yield curves						
Group investments	896	94	(3)	62	1	**1,050**
Liabilities	475	163	21	80	–	**738**
Net impact before tax	421	(69)	(24)	(18)	1	**311**
Tax impact	(105)	17	6	5	–	**(78)**
Net impact after tax	316	(52)	(18)	(14)	–	**234**

Table 6.b

Economic interest rate sensitivities for the rest of the businesses – prior period

in USD millions, as of December 31, 2012	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Group investments	(831)	(148)	(22)	(36)	(1)	**(1,037)**
Liabilities	(585)	(166)	(28)	(117)	–	**(898)**
Net impact before tax	(246)	19	7	82	(1)	**(139)**
Tax impact	66	(5)	(2)	(20)	–	**39**
Net impact after tax	(180)	14	5	61	–	**(100)**
100 basis points decrease in the interest rate yield curves						
Group investments	895	111	22	26	1	**1,055**
Liabilities	643	140	28	34	–	**845**
Net impact before tax	252	(29)	(6)	(8)	1	**210**
Tax impact	(64)	7	2	2	–	**(53)**
Net impact after tax	189	(22)	(5)	(6)	–	**157**

Risk review *continued*

Analysis of economic sensitivities for equity risk

Tables 7 to 9 show the estimated impacts from a 10 percent decline in stock markets, after consideration of hedges in place, as of December 31, 2013 and 2012, respectively.

Table 7

Economic equity price sensitivities for the General Insurance business

in USD millions, as of December 31	2013	2012
10% decline in stock markets		
Group investments	(525)	(456)
Liabilities	–	–
Net impact before tax	(525)	(456)
Tax impact	131	113
Net impact after tax	(394)	(343)

Table 8

Economic equity price sensitivities for the Global Life business

in USD millions, as of December 31	2013	2012
10% decline in stock markets		
Total impact on Embedded Value	(279)	(246)

Table 9

Economic equity price sensitivities for the rest of the businesses

in USD millions, as of December 31	2013	2012
10% decline in stock markets		
Group investments	(83)	(171)
Liabilities	31	34
Net impact before tax	(113)	(205)
Tax impact	28	49
Net impact after tax	(85)	(156)

Analysis of economic sensitivities for credit spread risk

Tables 10.a to 12.b show the estimated impacts from a 100 basis points increase in corporate credit spreads, as of December 31, 2013 and 2012, respectively.

Table 10.a

Economic credit spread sensitivities for the General Insurance business – current period

in USD millions, as of December 31, 2013	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in credit spreads						
Net impact before tax	(1,001)	(332)	(178)	(144)	(89)	**(1,744)**
Tax impact	249	83	44	36	22	**434**
Net impact after tax	(752)	(249)	(134)	(108)	(67)	**(1,310)**

Table 10.b

Economic credit spread sensitivities for the General Insurance business – prior period

in USD millions, as of December 31, 2012	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in credit spreads						
Net impact before tax	(939)	(278)	(198)	(160)	(102)	**(1,677)**
Tax impact	232	69	49	39	25	**414**
Net impact after tax	(707)	(209)	(149)	(120)	(77)	**(1,262)**

Economic credit spread sensitivities for the Global Life business – current period

Table 11.a

in USD millions, as of December 31, 2013	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in credit spreads						
Total impact on Embedded Value	(174)	(262)	(86)	(234)	(145)	**(901)**

Economic credit spread sensitivities for the Global Life business – prior period

Table 11.b

in USD millions, as of December 31, 2012	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in credit spreads						
Total impact on Embedded Value	(189)	(282)	(100)	(250)	(130)	**(951)**

Economic credit spread sensitivities for the rest of the businesses – current period

Table 12.a

in USD millions, as of December 31, 2013	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in credit spreads						
Net impact before tax	(339)	(49)	5	4	–	**(380)**
Tax impact	84	12	(1)	(1)	–	**95**
Net impact after tax	(254)	(37)	4	3	–	**(285)**

Economic credit spread sensitivities for the rest of the businesses – prior period

Table 12.b

in USD millions, as of December 31, 2012	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in credit spreads						
Net impact before tax	(320)	(74)	2	(3)	–	**(396)**
Tax impact	89	18	–	1	–	**108**
Net impact after tax	(231)	(56)	1	(3)	–	**(288)**

Risk review *continued*

Currency risk

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 arising from 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 the euro, Swiss franc, British pound, as well as the U.S. dollar.

On local balance sheets there is the risk that a currency mismatch may lead to fluctuations in a balance sheet's net asset value, 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 in order to make use of the netting effect across the Group. Zurich then hedges residual mismatches from local balance sheets through a central balance sheet within an established limit. The monetary currency risk exposure on local balance sheets is considered immaterial.

Because the Group has chosen the U.S. dollar as its presentation currency, differences arise when functional currencies are translated into the presentation currency. The Group applies net investment hedge accounting in order to protect against the effects of changes in certain exchange rates on selected net investments. The Group does not take speculative positions on foreign currency market movements. Using constant exchange rates from one year to the next, the Group's 2013 net income attributable to shareholders would have been lower by USD 6 million (applying 2012 exchange rates to the 2013 result). In 2012, the result would have been higher by USD 45 million (applying 2011 exchange rates to the 2012 results).

Table 13 shows the sensitivity of the total IFRS equity 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. The sensitivity analysis does not take into account management actions that might be taken to mitigate such changes. The sensitivities show the effects of a change of the exchange rates only, while other assumptions remain unchanged. 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 13 shows the effect of a 10 percent increase in currency exchange rates, a decrease of 10 percent would have the converse effect.

See notes 1, 3 and 7 of the Consolidated financial statements for additional information on foreign currency translation and transactions.

Sensitivity of the Group's total IFRS equity to exchange rate fluctuations

Table 13

in USD millions, as of December 31	**2013**	2012
10% increase in		
EUR/USD rate	915	904
GPB/USD rate	311	362
CHF/USD rate	(382)	(253)
Other currencies/USD rates	760	787

Credit risk

Section highlights
- During 2013, the intensity of the euro crisis eased despite areas of negative growth and high unemployment. The U.S. remains vulnerable to both domestic and global risks.
- The risk-weighted average issuer credit rating of the Group's debt securities portfolio is "BBB+". The largest concentration in the Group's debt securities portfolio is in government, supranationals and similar debt securities at 48.4 percent.

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations. The Group's exposure to credit risk is derived from the following main categories of assets:

- Cash and cash equivalents
- Debt securities
- Reinsurance assets
- Mortgage loans
- Other loans
- Receivables
- Derivatives

The Group manages individual exposures as well as credit risk concentrations. The Group's objective in managing credit risk exposures is to maintain them within parameters that reflect the Group's strategic objectives and risk tolerance. Sources of credit risk are assessed and monitored, and the Group has policies to manage the specific risks within the various subcategories of credit risk. To assess counterparty credit risk, the Group uses the ratings assigned by external rating agencies, qualified third parties, such as asset managers, and internal rating assessments. When there is a difference among external rating agencies, the Group assesses the reasons for the inconsistencies and applies the lowest of the respective ratings unless other indicators of credit quality justify the assignment of alternative internal credit ratings. The Group maintains counterparty credit risk databases, which record external and internal sources of credit intelligence.

The Group regularly tests and analyzes credit risk scenarios and prepares possible contingency measures, which may be implemented should the credit risk environment worsen. Zurich adjusts the scenarios if market conditions warrant.

Although the Group actively uses collateral to mitigate credit risks, the principle is nevertheless to manage the underlying credit risks 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, deductibles, trade credit and surety.

Macro review of the credit risk environment

During 2013, the intensity of the euro crisis eased despite areas of negative growth and high unemployment. Unresolved high government and private debt levels in Europe continued to drive negative rating actions on governments – even beyond the peripheral countries. Even though credit conditions are more favorable in the U.S., it remains vulnerable to both domestic and global risks such as fiscal policy challenges, developments in the Eurozone and the tapering of the U.S. Federal Reserve System's expansive policy.

Financial institutions have been slowly re-establishing levels of profitability and asset quality seen prior to the crisis. They have overall built up capital and liquidity and improved their operating flexibility. Therefore, on the one hand, the credit outlook for banks slightly improved and the potential for rating downgrades decreased. On the other hand, Zurich expects government support for financial institutions to decrease over time. For example, the European Union has developed a new directive for the recovery and resolution of troubled banks that would allow losses to be imposed on a broad range of liabilities, including senior unsecured debt. Such aspects of new regulations negatively impact the credit outlook of financial institutions.

Risk review *continued*

Credit risk concentration

The Group limits and regularly monitors credit exposures by individual counterparty and related counterparties by the aggregated exposure across various types of credit risk for that counterparty. The Group's exposure to counterparties' parent companies and subsidiaries across sources of credit risk is aggregated to include reinsurance assets, investments, certain insurance products and derivatives. Best estimates, based on statistical data and own assessments, are used to assign loss-given-default percentages and loss dependency factors reflecting, for example, double default events. The aggregated exposure information is compared with the Group's credit limits. The limits vary based on the underlying rating category of the counterparty. There was no material exposure in excess of the Group's limits for counterparty aggregation as of December 31, 2013 or December 31, 2012. In line with the Group's overall risk appetite, additional investments in Italy were exceptionally approved in order to benefit from slight credit improvements in the European "periphery."

The maximum exposure to credit risk consists mainly of on-balance sheet exposures. Off-balance sheet exposures are primarily related to collateral, such as letters of credit, used to protect the underlying credit exposures on the balance sheet. The Group also has off-balance sheet exposures related to undrawn loan commitments of USD 8 million and USD 20 million as of December 31, 2013 and 2012, respectively. See note 24 of the Consolidated financial statements for undrawn loan commitments.

Credit risk related to cash and cash equivalents

The Group has significant exposure to cash and cash equivalents across the globe. In order to mitigate concentration, settlement and operational risks related to cash and cash equivalents, the Group limits the maximum cash amount that can be deposited with a single counterparty. In addition, the Group maintains an authorized list of acceptable cash counterparties based on current ratings and outlook, taking the analysis of fundamentals and market indicators into account.

Cash and cash equivalents amounted to USD 7.2 billion as of December 31, 2013 and USD 9.1 billion as of December 31, 2012. The risk-weighted average rating of the overall cash portfolio has decreased from "A" to "BBB+" in 2013 due to a change in the rating methodology. Applying the changed methodology retrospectively, the risk-weighted average rating for 2012 would have been "BBB+". 61 percent of the total was with the ten largest global banks, whose average rating was "A–" as of December 31, 2013, down from "A" as of December 31, 2012.

Credit risk related to debt securities

The Group is exposed to credit risk from third party counterparties where the Group holds securities issued by those entities. Table 14 shows the credit risk exposure on debt securities, by issuer credit rating.

Table 14

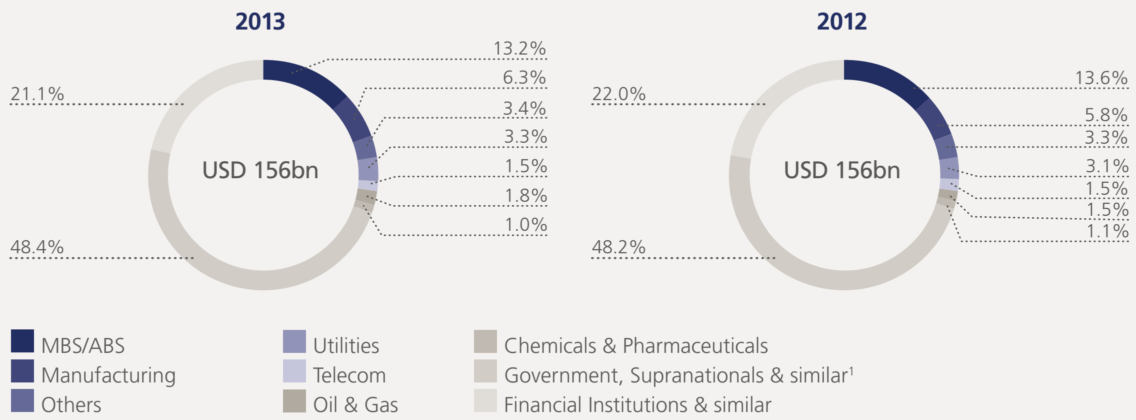
Debt securities by rating of issuer

as of December 31	2013		2012	
	USD millions	**% of total**	USD millions	% of total
Rating				
AAA	37,010	23.7%	48,526	31.2%
AA	57,985	37.1%	48,032	30.9%
A	26,992	17.2%	27,135	17.4%
BBB	31,170	19.9%	29,021	18.6%
BB and below	2,360	1.5%	2,448	1.6%
Unrated	939	0.6%	432	0.3%
Total	**156,456**	**100.0%**	**155,594**	**100.0%**

As of December 31, 2013, investment grade securities comprise 97.9 percent of the Group's debt securities, and 23.7 percent were rated "AAA." The downgrades of several Eurozone governments and related entities caused breaches of internal rating category limits, which were managed as circumstances allowed. The migration from AAA to AA is mostly due to the downgrade of UK governments. As of December 31, 2012, investment grade securities comprised 98.1 percent of debt securities, and 31.2 percent were rated "AAA." The Group's investment policy prohibits speculative grade investments, unless specifically authorized and under exceptional circumstances. Where the Group identifies investments expected to be downgraded to below investment grade, it implements appropriate corrective actions.

The Group measures the average issuer credit rating both with a linear and a risk-weighted scale. Despite the ongoing de-risking of the fixed income portfolio, the risk-weighted average issuer credit rating of the Group's debt securities portfolio was "BBB+" (2012: "A–/BBB+"). This is mainly due to both downgrades of governments and government-related financial institutions in 2013 and higher exposures due to the tightening of credit spreads. Based on the linear scale, the average rating was"AA–"(2012: "AA–") and therefore in line with the "AA–" target rating as set out in the Group's risk policy.

Debt securities – credit risk concentration by industry
(%, as of December 31)



[1] 2012 figures exclude government agency debt.

As of December 31, 2013, the largest concentration in the Group's debt securities portfolio is in governments, supranationals and similar debt securities at 48.4 percent. In all other categories, a total of USD 37.9 billion or 47 percent is secured. As of December 31, 2012, 48.2 percent of the Group's debt portfolio was invested in governments, supranationals and similar. In all other categories, a total of USD 40.3 billion or 49.5 percent was secured.

Table 15

The Group's debt exposure to Eurozone governments and supranationals & similar

in USD millions, as of December 31	2013	2012
Germany	7,873	9,282
France	5,191	4,638
Austria	3,108	2,892
Belgium	2,305	1,959
Netherlands	2,093	2,122
Peripheral countries	14,351	11,301
Greece	–	–
Ireland	491	243
Italy	8,885	6,646
Portugal	530	531
Spain	4,445	3,881
Rest of Eurozone	1,147	974
Eurozone supranationals and similar	679	1,058
Total	**36,747**	**34,226**

As shown in table 15, the Group had debt exposure to Eurozone governments of USD 36.8 billion and USD 34.2 billion as of December 31, 2013 and 2012, respectively. Exposure to Greece, Ireland, Italy, Portugal and Spain amounted to USD 14.4 billion and USD 11.3 billion as of December 31, 2013 and 2012, respectively. This increase was primarily driven by switches in investments from Germany into Italy to benefit from improvements in credit quality and from the spread differential.

In addition to the debt exposure, the Group had sovereign loan exposure of USD 4.2 billion and USD 4.7 billion to Germany as of December 31, 2013 and 2012, respectively.

Risk review *continued*

The second largest concentration in the Group's debt securities portfolio is to financial institutions (including banks), at 21.1 percent, of which 44.5 percent is secured. In response to the European government-debt crisis, the Group identified and selectively reduced unsecured and subordinated credit exposure issued by banks with weak credit profiles, and credit exposure to banks supported by weaker governments.

The third largest concentration in the Group's debt securities portfolio is to structured finance securities (mortgage-backed securities (MBS)/asset-backed securities (ABS) and similar). Although credit risks of the underlying securities are diverse in nature, the Group also considers macro impacts that may affect structured finance sub-categories (e.g. auto or credit card ABS's) in its credit assessments. Structured finance exposures are assessed on a look-through basis prior to acquisition and not merely on the strength of prevailing credit ratings or credit profiles.

Credit risk related to reinsurance assets

As part of its overall risk management strategy, the Group cedes insurance risk through proportional, non-proportional and facultative reinsurance treaties. While these cessions mitigate insurance risk, the recoverables from reinsurers and receivables arising from ceded reinsurance expose the Group to credit risk.

The Group's Corporate Reinsurance Security Committee manages the credit quality of cessions and reinsurance assets. The Group typically cedes new business to authorized reinsurers with a minimum rating of "A–." 59 percent and 58 percent of the business ceded to reinsurers that fall below "A–" or are not rated is collateralized, as of December 31, 2013 and 2012, respectively. Of these percentages, 55 percent and 50 percent are ceded to captive insurance companies, in 2013 and 2012, respectively.

Reinsurance assets include reinsurance recoverables of USD 18.1 billion and USD 19.9 billion as of December 31, 2013 and 2012, respectively, which are the reinsurers' share of reserves for insurance contracts, and receivables arising from ceded reinsurance, gross of allowances for impairment, of USD 1.1 billion and USD 1.1 billion as of December 31, 2013 and 2012, respectively. Reserves for potentially uncollectible amounts of reinsurance assets amount to USD 174 million as of December 31, 2013 and USD 206 million as of December 31, 2012. 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 16 are shown before taking into account collateral such as cash or letters of credit from banks rated at least "A," which can be converted into cash, and deposits received under ceded reinsurance contracts.

Compared to December 31, 2012, collateral decreased by USD 414 million to USD 7.6 billion.

The risk-weighted average credit quality of reinsurance assets (including receivables, but after deduction of collateral) was "A" as of December 31, 2013 and 2012. Credit factors to determine the risk-weighted average credit quality of reinsurance assets are based on historical insurance impairment statistics, consistent with the prior year. For credit risk assessment purposes, collateral has been taken into account at nominal value as an approximation for fair value. For collateral, the Group applies minimum requirements, such as a minimum rating for the issuers of letters of credit and guarantees, and for pledged assets a minimum coverage ratio of 100 percent.

Table 16 shows reinsurance premiums ceded and reinsurance assets split by rating.

Table 16

Reinsurance premiums ceded and reinsurance assets by rating of reinsurer and captive

as of December 31	2013				2012			
	Premiums ceded		Reinsurance assets		Premiums ceded		Reinsurance assets	
	USD millions	% of total	USD millions	% of total	USD millions	% of total	USD millions	% of total
Rating								
AAA	88	1.3%	38	0.2%	77	1.2%	42	0.2%
AA	1,484	22.6%	7,672	40.3%	1,434	22.1%	8,852	42.6%
A	2,152	32.8%	6,681	35.1%	2,279	35.2%	6,959	33.5%
BBB	1,071	16.3%	2,058	10.8%	800	12.4%	2,080	10.0%
BB	387	5.9%	656	3.4%	213	3.3%	425	2.0%
B	51	0.8%	33	0.2%	34	0.5%	42	0.2%
Unrated	1,313	20.2%	1,890	9.9%	1,644	25.4%	2,390	11.5%
Total	**6,546**	**100.0%**	**19,027**[1]	**100.0%**	**6,481**	**100.0%**	**20,791**[1]	**100.0%**

[1] The value of the collateral received amounts to USD 7.6 billion and USD 8.0 billion as of December 31, 2013 and 2012, respectively.

Credit risk related to mortgage loans

Mortgage loans expose the Group to credit risk. The mortgage business is dependent on local property market conditions and local legislation. Investment portfolio allocations made to mortgages consider these factors and are within the framework of the strategic asset allocation defined by the Group and adapted and approved by local investment committees. Conservative lending criteria (i.e. maximum mortgage loan to property value ratios) and the diversification of loans across many single borrowers, particularly in Germany and in Switzerland, help reduce potential loss. Dunbar Assets Ireland (formerly Zurich Bank) has, however, suffered from concentrations to a smaller number and type of borrowers, such as property developers and investors. Furthermore, business units are required to clearly state criteria for determining borrower and collateral quality in their local mortgage policies. The Group specifies requirements for the local policies and sets monitoring and reporting standards. The Group closely monitors the performance of the portfolios in terms of impairments and losses.

The Group's largest mortgage loan portfolios are in Germany (USD 4.5 billion) and in Switzerland (USD 3.9 billion); these are predominantly secured against residential property. In Switzerland, the underlying properties backing individual loans are revalued every 10 years. In Germany, the property valuation is not generally reassessed after the granting of the mortgage loan. A less frequent or no revaluation of the underlying property means that reported loan-to-value (LTV) ratios will be higher (lower) than they would be if property prices have risen (fallen) since their valuation.

In Switzerland, the residential property market has seen steady price growth since 2000 and fast growth in the past six years, raising concerns about the development of a price bubble. Residential property price increases have been strongest in the main economic centers and more moderate in the rest of the country; residential prices in the Lake Geneva region and in the Canton of Zug have more than doubled since 2000, and in the Canton of Zurich have increased by 76% in the same period. In 2013, outstanding mortgages in the Lake Geneva region represent approximately 33% of the Swiss portfolio. Mortgages in the Canton of Zurich and in the Canton of Zug represent 35% and 1.3% of the Swiss portfolio respectively. The bulk of those mortgages was granted before 2008 and is therefore not affected by price developments in the last six years. In Germany, residential prices are increasing in the major cities, however in line with the Group's investment policy, mortgage exposure has been reduced. To mitigate the impact of potential bubbles in the portfolio, the Group has a process to regularly review regional property markets, and to tighten underwriting standards in areas with strong price appreciation. Zurich's German and Swiss mortgage portfolios remain strong and well managed; LTV lending buffers are generally strong, and loss impairments and losses remain low.

Risk review *continued*

The next largest portfolio comprises loans granted by Dunbar Assets Ireland (including the UK property loans of Dunbar Assets plc) of USD 864 million (after provisions) in the UK and Ireland. They consist of residential and commercial property development financing or investment loans, secured as either property under development or completed developments. In 2010, these entities ceased originating new business in these markets following the significant deterioration in economic conditions and the drop in property values in the UK and Ireland. Provisions at Dunbar Assets Ireland now stand at a significant USD 761 million (USD 713 million in 2012) or 47 percent and 39 percent of the portfolio as of December 31, 2013 and December 31, 2012 respectively; this accordingly reduces the carrying balance of net loans outstanding. Dunbar Assets Ireland regularly reviews its property valuations as part of the continual assessment of the appropriateness of provisioning on a portfolio that is largely impaired. For more details, see table 18.a and 18.b.

Credit risk related to other loans

The credit risk arising from other loans is assessed and monitored together with the fixed income securities portfolio. 63.1 percent of the reported loans are to Government, Supranationals and similar or government or supranational institutions, of which 99.4 percent are to the German Central Government or the German Federal States. Table 17 shows the composition of the loan portfolio by rating class. As of December 31, 2013, a total of USD 7.9 billion or 66.7 percent of loans are secured. As of December 31, 2012, a total of USD 8.0 billion or 68.3 percent of loans were secured.

Other loans by rating of issuer

Table 17

as of December 31	2013		2012	
	USD millions	**% of total**	USD millions	% of total
Rating				
AAA	6,185	52.5%	6,851	51.2%
AA	1,293	11.0%	2,315	17.3%
A	2,257	19.1%	2,113	15.8%
BBB and below	1,167	9.9%	1,524	11.4%
Unrated	887	7.5%	582	4.3%
Total	**11,789**	**100.0%**	**13,385**	**100.0%**

Credit risk related to receivables

The Group's largest credit risk exposure to receivables is from third party agents, brokers and other intermediaries; the risk arises where they collect premiums from customers to be paid to the Group or pay claims to customers on behalf of the Group. The Group has policies and standards to manage and monitor credit risk from intermediaries with a focus on day-to-day monitoring of the largest positions. As part of these standards, the Group requires that intermediaries maintain segregated cash accounts for policyholder money. Additionally, the Group requires intermediaries to satisfy minimum requirements in terms of their capitalization, reputation and experience as well as providing short-dated business credit terms.

Past due but not impaired receivables should be regarded as unsecured, but 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. In 2013, the Group continued efforts to reduce past due receivables through both short- and long-term initiatives to improve processes and systems.

Receivables from ceded reinsurance form part of the reinsurance assets and are managed accordingly.

See note 17 of the Consolidated financial statements for additional information on receivables.

Credit risk related to derivatives

The positive replacement value of outstanding derivatives, such as interest rate, currency, total return and equity swaps, forward contracts and purchased options represents a credit risk to the Group. In addition there is a potential exposure arising from possible changes in replacement value. 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 typically executed with counterparties rated "A–" or better by an external rating agency. In addition, it is the Group standard to only transact derivatives with counterparties where the Group has an ISDA Master Agreement with a Credit Support Annex in place. 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 is beyond an agreed threshold. The Group mitigates credit exposures from derivative transactions further by using exchange-traded instruments whenever possible.

Analysis of financial assets

Tables 18.a to 19.b 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 18.a

Analysis of financial assets – current period

in USD millions, as of December 31, 2013	Debt securities	Mortgage loans	Other loans	Receivables and other financial assets	Total
Neither past due nor impaired financial assets	**156,181**	**8,825**	**11,787**	**15,016**	**191,809**
Past due but not impaired financial assets. Past due by:					
1 to 90 days	–	131	–	1,477	1,608
91 to 180 days	–	38	–	304	343
181 to 365 days	–	22	–	182	203
> 365 days	–	114	–	285	399
Past due but not impaired financial assets	**–**	**304**	**1**	**2,248**	**2,553**
Financial assets impaired	**275**	**1,456**	**20**	**162**	**1,914**
Gross carrying value	**156,456**	**10,585**	**11,808**	**17,426**	**196,276**
Less: impairment allowance					
Impairment allowances on individually assessed financial assets	–	726	19	89	835
Impairment allowances on collectively assessed financial assets	–	61	–	208	269
Net carrying value	**156,456[1]**	**9,798[2]**	**11,789**	**17,130**	**195,172**

[1] Available-for-sale debt securities are included net of USD 2 million of impairment charges recognized during the year.
[2] USD 158 million past due but not impaired and USD 1.4 billion impaired mortage loans relate to the run-off property loans at Dunbar Assets Ireland.

Risk review *continued*

Table 18.b

Analysis of financial assets – prior period

in USD millions, as of December 31, 2012	Debt securities	Mortgage loans	Other loans	Receivables and other financial assets	Total
Neither past due nor impaired financial assets	**155,182**	**9,318**	**13,385**	**14,492**	**192,376**
Past due but not impaired financial assets. Past due by:					
1 to 90 days	–	185	–	1,207	1,392
91 to 180 days	–	80	–	290	370
181 to 365 days	–	107	–	223	330
> 365 days	–	165	–	305	469
Past due but not impaired financial assets	**–**	**537**	**–**	**2,024**	**2,561**
Financial assets impaired	**412**	**1,397**	**1**	**248**	**2,057**
Gross carrying value	**155,594**	**11,252**	**13,386**	**16,764**	**196,995**
Less: impairment allowance					
Impairment allowances on individually assessed financial assets	–	696	–	117	814
Impairment allowances on collectively assessed financial assets	–	37	–	210	247
Net carrying value	**155,594**[1]	**10,519**[2]	**13,385**	**16,437**	**195,934**

[1] Available-for-sale debt securities are included net of USD 12 million of impairment charges recognized during the year.
[2] USD 385 million past due but not impaired and USD 1.4 billion impaired mortage loans relate to the run-off property loans at Dunbar Assets Ireland.

Tables 19.a and 19.b show how the allowances for impairments of financial assets in tables 18.a and 18.b have developed during the periods ended December 31, 2013 and 2012, respectively.

Table 19.a

Development of allowance for impairments – current period

in USD millions	Mortgage loans	Other loans	Receivables
As of January 1, 2013	733	–	327
Increase/(Decrease) in allowance for impairments	92	20	12
Amounts written-off	(62)	(1)	(38)
Foreign currency translation effects	24	–	(5)
As of December 31, 2013	**787**	**20**	**297**

Table 19.b

Development of allowance for impairments – prior period

in USD millions	Mortgage loans	Other loans	Receivables
As of January 1, 2012	645	–	320
Increase/(Decrease) in allowance for impairments	69	13	39
Amounts written-off	(4)	(13)	(37)
Foreign currency translation effects	23	–	5
As of December 31, 2012	**733**	**–**	**327**

Liquidity risk

Section highlights
- The Group maintains internal liquidity sources that cover the Group's potential liquidity needs, including those that might arise under stressed conditions.

Liquidity risk is the risk that 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 both normal and stressed conditions. To achieve this, the Group assesses, monitors and manages its liquidity needs on an ongoing basis.

The Group has Group-wide liquidity management policies and specific guidelines as to how local businesses have to plan, manage and report their local liquidity. These include regularly conducting stress tests for all major carriers 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 liquidity drain the Group would face if it had to recapitalize local balance sheets.

At the Group level, similar guidelines apply and detailed liquidity forecasts based on the local businesses' input and the Group's own forecasts are regularly performed. As part of its liquidity management, the Group maintains sufficient cash and cash equivalents and high quality, liquid investment portfolios to meet expected outflows including those for maturing debt obligations. In addition, the Group maintains internal liquidity sources that cover the Group's potential liquidity needs, including those that might arise under stressed conditions. The Group takes into account the amount, permanence of availability and speed of accessibility of the sources. The Group centrally maintains committed borrowing facilities, as well as access to diverse funding sources to cover contingencies. Funding sources include asset sales, external debt issuances and use of letters of credit. The Group maintains a broad range of maturities for external debt securities. A possible liquidity risk could arise from a downgrade of the Group's credit rating. This could impact the Group's commitments and guarantees, thus potentially increasing the Group's liquidity needs. This risk and potential mitigating actions are assessed on an ongoing basis within the Group's liquidity framework.

The Group limits the percentage of the investment portfolio that is not readily realizable, and regularly monitors exposures to take action if necessary to maintain an appropriate level of asset liquidity. During 2013, the Group was within its limits for asset liquidity. The fair value hierarchy tables in note 25 of the Consolidated financial statements segregate financial assets into three levels to reflect the basis of the determination of fair value. These tables indicate the high liquidity of the Group's investments.

See note 20 of the Consolidated financial statements for additional information on debt obligation maturities and on credit facilities and note 24 of the Consolidated financial statements for information on commitments and guarantees. The Group's regular liquidity monitoring includes monthly reporting to the executive management and quarterly reporting to the Risk Committee of the Board, covering aspects such as the Group's actual and forecasted liquidity, possible adverse scenarios that could affect the Group's liquidity and possible liquidity needs from the Group's main subsidiaries, including under stressed conditions.

Tables 20.a and 20.b 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, 2013 and 2012. Reserves for unit-linked insurance contracts amounting to USD 74.9 billion and USD 74.1 billion as of December 31, 2013 and 2012, 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.

Risk review *continued*

Table 20.a

Expected maturity profile for reserves for insurance contracts, net of reinsurance – current period

in USD millions, as of December 31, 2013	Reserves for losses and loss adjustment expenses	Future life policyholders' benefits	Policyholders' contract deposits and other funds	Total
< 1 year	17,338	9,017	1,386	27,742
1 to 5 years	23,511	21,918	2,432	47,861
5 to 10 years	8,279	14,966	1,931	25,176
10 to 20 years	5,509	17,083	2,542	25,134
> 20 years	2,681	18,990	9,834	31,506
Total	**57,319**	**81,975**	**18,126**	**157,420**

Table 20.b

Expected maturity profile for reserves for insurance contracts, net of reinsurance – prior period

in USD millions, as of December 31, 2012	Reserves for losses and loss adjustment expenses	Future life policyholders' benefits	Policyholders' contract deposits and other funds	Total
< 1 year	17,288	8,188	1,370	26,846
1 to 5 years	23,688	20,807	2,208	46,704
5 to 10 years	8,465	14,448	1,859	24,772
10 to 20 years	5,612	18,896	2,361	26,869
> 20 years	2,332	18,960	10,119	31,411
Total	**57,385**	**81,300**	**17,917**	**156,602**

For additional information on reserves for insurance contracts, see note 8 of the Consolidated financial statements.

Tables 21.a and 21.b provide an analysis of the maturity of liabilities for investment contracts based on expected cash flows as of December 31, 2013 and 2012. The undiscounted contractual cash flows for liabilities for investment contracts are USD 67.4 billion and USD 57.6 billion as of December 31, 2013 and December 31, 2012, respectively. Liabilities for unit-linked investment contracts amount to USD 59.5 billion and USD 50.2 billion as at December 31, 2013 and 2012, respectively. The policyholders of unit-linked investment contracts 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 borne by the policyholders of unit-linked investment contracts. 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 922 million and USD 958 million as of December 31, 2013 and 2012 respectively. The Group actively manages the Global Life in-force business to improve persistency and retention.

Table 21.a

Expected maturity profile for liabilities for investment contracts – current period

in USD millions, as of December 31, 2013	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	5,663	182	344	6,189
1 to 5 years	6,853	559	1,330	8,742
5 to 10 years	7,548	151	1,301	8,999
10 to 20 years	10,499	96	1,094	11,690
> 20 years	28,905	43	2,545	31,493
Total	**59,469**	**1,030**	**6,614**	**67,113**

Expected maturity profile for liabilities for investment contracts – prior period

Table 21.b

in USD millions, as of December 31, 2012	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	4,383	172	295	4,850
1 to 5 years	6,253	799	1,333	8,385
5 to 10 years	6,757	173	1,068	7,998
10 to 20 years	9,258	115	940	10,313
> 20 years	23,579	46	2,267	25,892
Total	**50,229**	**1,305**	**5,903**	**57,437**

See note 20 of the Consolidated financial statements for information on the maturities of total debt issued. For more information on the Group's other financial liabilities, see note 18 of the Consolidated financial statements.

See note 6 of the Consolidated financial statements for information on the maturity of debt securities for total investments.

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 24 of the Consolidated financial statements.

Risk review *continued*

Operational risk

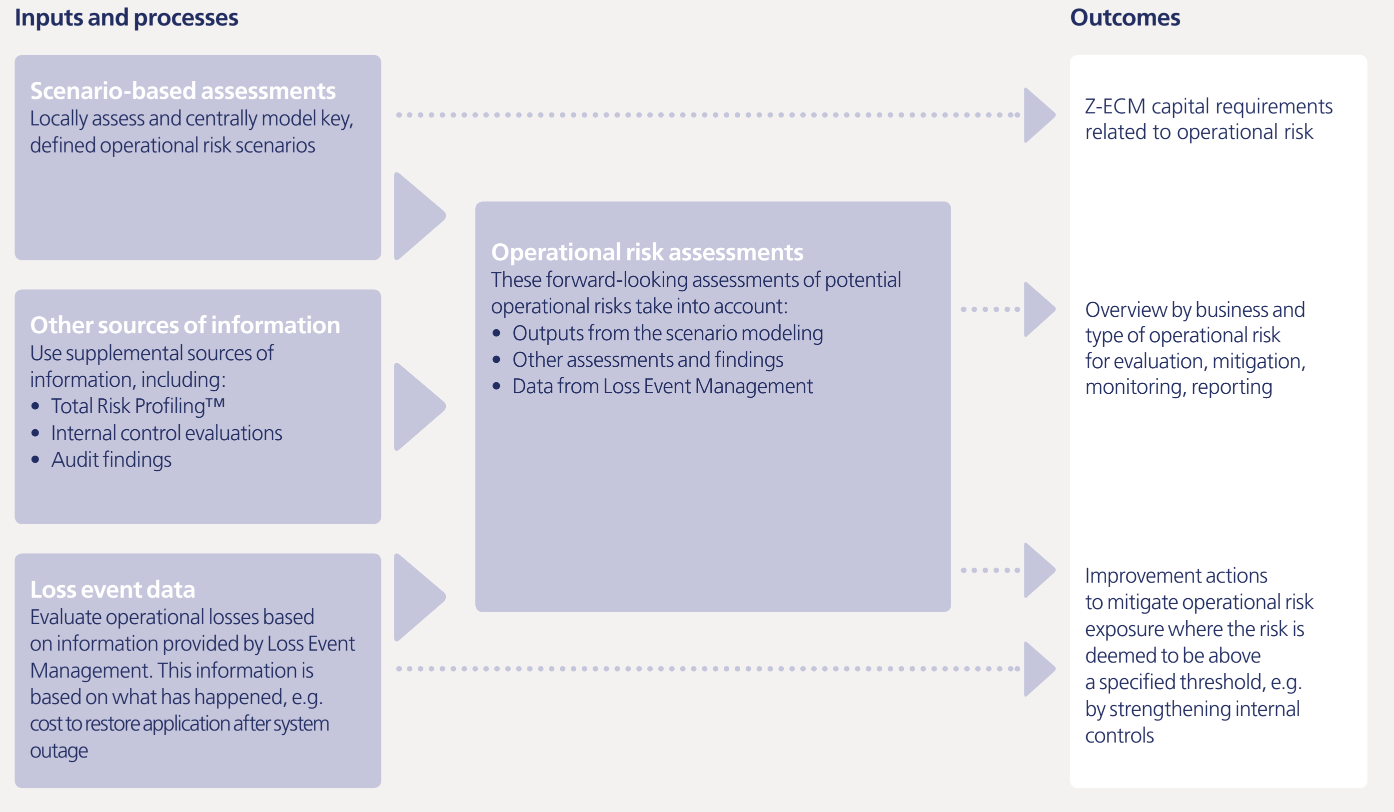
Section highlights

- Zurich regularly reviews projects to identify significant risks that may threaten successful project delivery, and mitigates these risks.
- In 2013, this area was strengthened by adding to the Zurich Risk Policy specific requirements to manage project risks.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events such as outsourcing, catastrophes, legislation, or external fraud.

Zurich has a comprehensive framework with a common approach to identify, assess, quantify, mitigate, monitor and report operational risk within the Group as summarized below.

Operational risk



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 (internal model calibrated to a confidence level of 99.95 percent over a one-year time horizon). This approach allows comparison of information across the Group and highlights the main scenarios contributing to the Z-ECM capital required. See chart "Z-ECM capital required for operational risk split by risk scenarios (unaudited)" for more information.

- Documents and evaluates loss events above a threshold determined by the Zurich Risk Policy, in a Group-wide database. Improvement actions are put in place to avoid recurrence of such operational loss events.
- Conducts operational risk assessments through which operational risks are identified for key business areas and are qualitatively assessed. Risks identified and assessed above a certain threshold must be mitigated, and escalated in specific reports at the Group level. Plans for improvement actions are documented and tracked on an ongoing basis. The Group uses a scoping exercise to determine which business units and Group-wide functional areas conduct operational risk assessments. In the assessments, the Group uses such sources of information as Total Risk Profiling™, internal control assessments, and audit findings, as well as scenario modeling and loss event data.

The Group has specific processes and systems in place to focus on high priority operational matters such as managing information security, business continuity and project risks as well as combating fraud.

In the area of information security the Group continued to focus on its global improvement program with special emphasis on protecting customer information, improving security with its suppliers and monitoring that access to information is properly controlled. This helps the Group to better protect information assets and ensure compliance with regulation and policies.

A key task is maintaining and developing the Group's business continuity capability with an emphasis on recovery from events such as natural catastrophes, significant operational interruptions and the possibility of a pandemic. In order to achieve this The Group has continued to further implement a more globally consistent approach to business continuity and crisis management.

Addressing the risk of claims and non-claims fraud continues to be of importance. In 2013, the Group continued its global anti-fraud initiative to further improve the Group's ability to prevent, detect and respond to fraud. While claims fraud is calculated as part of insurance risk and non-claims fraud is calculated as part of operational risk for risk-based capital, both are part of the common framework for assessing and managing operational risks.

Zurich regularly reviews projects to identify significant risks that may threaten successful project delivery, and mitigates these risks. In 2013, this area was strengthened by adding to the Zurich Risk Policy specific requirements to manage project risks. The Group Chief Risk Officer reports regularly on the status and development of significant project risks to the CEO, senior management committees and the Risk Committee of the Board.

The Group considers controls to be key instruments for monitoring and managing operational risk. Although primarily focused on important controls over financial reporting, internal control efforts also include related operational and compliance controls. Therefore, the Group continues to strengthen the robustness, consistency, documentation and assessment of internal controls for significant entities and business processes. Operational effectiveness of key controls is assessed by self assessment and independent testing on controls supporting the financial statements. For more details, see the "Risk management and internal control statement" in the "Corporate governance report (unaudited)."

Risks to the Group's reputation

Risks to the Group's reputation include the risk that an act or omission by the Group or any of its employees could result in damage to the Group's reputation or loss of trust among its stakeholders. Every risk type has potential consequences for Zurich's reputation, and therefore, effectively managing each type of risk helps Zurich reduce threats to its reputation.

Additionally, the Group endeavors to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of Zurich Basics, the Group's code of conduct, which includes integrity and good business practice. The Group centrally manages certain aspects of reputation risk, for example, communications, through functions with the appropriate expertise.

Risk review *continued*

Capital management and analysis of capital adequacy

Capital management

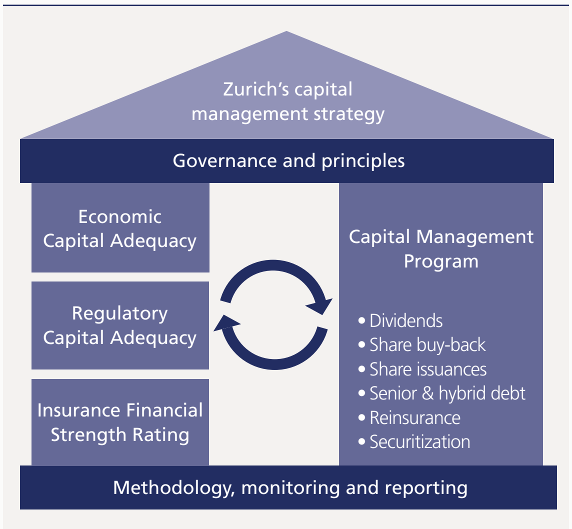
The Group's capital management strategy is to maximize long term shareholder value by optimizing capital allocation while managing the balance sheet at "AA" level and in accordance with regulatory, solvency and rating agency requirements. In particular, the Group endeavors to manage its capital such that the Group and all of its regulated entities are adequately capitalized in compliance with the relevant regulatory capital adequacy requirements.

Further, Zurich strives to simplify the Group's legal entity structure in order to reduce complexity and increase fungibility of capital. The Group also wants to minimize constraints to capital fungibility by pooling risk, capital and liquidity centrally as much as possible.

Capital management framework

The Group's capital management framework forms the basis for actively managing capital within Zurich. Major elements are economic, regulatory, and rating agency capital adequacy.

Capital management framework



Zurich's policy is to manage its capital position by allocating capital to businesses earning the highest risk-adjusted returns and pooling risks and capital as much as possible to operationalize its global risk diversification, subject to local and Group regulatory solvency requirements and rating agency capital adequacy constraints.

The Group manages capital and solvency through an integrated and comprehensive framework. The Group Balance Sheet Committee defines the capital management strategy and sets the principles, standards and policies for the execution of the strategy. Group Treasury and Capital Management is responsible for the execution of the capital management strategy within the mandate set by the Group Balance Sheet Committee.

Within these defined principles, the Group manages its capital using 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 reported regularly. Based on the results of the capital models and defined standards and principles, Group Treasury and Capital Management has a set of measures and tools available to manage capital within the defined constraints. This tool set is referred to as the capital management program.

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 as they arise. Such actions are performed as and when required and include dividends, capital repayments, share buy-backs, issuances of shares, issuance of senior and hybrid debt, securitization and purchase of reinsurance.

The Group seeks to maintain the balance between higher returns for shareholders on equity held, which may be possible with higher levels of borrowing, and the security provided by a sound capital position. The payment of dividends, share buy-backs, and issuances and redemption of debt have an important influence on capital levels. In 2013, the Group paid a dividend out of the capital contribution reserve, and replaced maturing senior debt and callable hybrid debt with new senior and hybrid debt.

Zurich Insurance Group Ltd is not subject to legal restrictions on the amount of dividends it may pay to its shareholders other than under the Swiss Code of Obligations. The Swiss Code of Obligations provides that dividends may only be paid out of freely distributable reserves or retained earnings and that 5 percent of annual retained earnings must be allocated to a general legal reserve until such reserve in the aggregate has reached 20 percent of the paid-in share capital; therefore the earnings allocated to those reserves are restricted. As of December 31, 2013, the amount of the general legal reserve exceeded 20 percent of the paid-in share capital of the Group. Similarly, company laws in many countries in which the Group's subsidiaries operate may restrict the amount of dividends payable by those subsidiaries to their parent companies.

The ability of the Group's subsidiaries to pay dividends may be restricted or – while dividend payments as such may be legally permitted – may be indirectly influenced by minimum capital and solvency requirements imposed by insurance and other regulators in the countries in which the subsidiaries operate. Other limitations, such as foreign exchange control restrictions, exist in some countries.

In the U.S., restrictions on the payment of dividends that apply to insurance companies may be imposed by the insurance laws or regulations of an insurer's state of domicile. For general insurance subsidiaries, dividends are generally limited over a 12 month period to the lesser of 10 percent of the policyholders' surplus or adjusted net investment income. For life, accident and health insurance subsidiaries, dividends are generally limited over a 12 month period to 10 percent of the previous year's policyholders' surplus or the previous year's net gain from operations. Dividends paid in excess of statutory limitations require prior approval from the Insurance Commissioner in the insurer's state of domicile.

For details on dividend payments, and issuances and redemptions of debt, see notes 20 and 21 of the Consolidated financial statements.

Analysis of capital adequacy

Insurance Financial Strength Rating

The Group maintains interactive relationships with three global rating agencies: Standard & Poor's, Moody's and A.M. Best. The Insurance Financial Strength Rating (IFSR) of the Group's main operating entity is an important element of Zurich's competitive position. Moreover, the Group's credit ratings derived from the financial strength ratings affect the cost of capital.

The Group maintained its strong rating level and its stable outlook in 2013. As of December 31, 2013 the IFSR of Zurich Insurance Company Ltd, the main operating entity of the Group, was "AA–/stable" by Standard and Poor's, "Aa3/stable" by Moody's and "A+ (superior)/stable" by A.M. Best.

Regulatory capital adequacy

The Group endeavors to manage its capital such that all of its regulated entities meet local regulatory capital requirements at all times.

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. The Group targets to hold, in addition to the minimum capital required to comply with the solvency requirements, an adequate buffer to ensure that each of its regulated subsidiaries meets the local capital requirements. The Group is subject to different capital requirements depending on the country in which it operates.

At a Group level, Zurich endeavors to pool risk and capital as much as possible and thereby create diversification benefits for the Group. This also allows the Group to take into account the benefits that arise from this pooling in those regions where these benefits are recognized under the capital adequacy regime, e.g., in the U.S., Ireland, and Switzerland.

Risk review *continued*

Regulatory requirements in Switzerland

In Switzerland, under the Swiss Solvency Test (SST), groups, conglomerates and reinsurers are required to use company-specific internal models to calculate risk-bearing and target capital. Internal models must be approved by the Swiss Financial Market Supervisory Authority (FINMA). In 2013, Zurich continued to further enhance and refine its internal model to meet evolving regulatory requirements. The model approval process continues with FINMA, which has approved on a provisional basis the use of Zurich's internal model for 2013, without prejudicing the final approval of the internal model. Zurich has filed an SST ratio with FINMA in excess of the regulatory requirements, both as of January 1, 2013 and as of July 1, 2013 (subject to FINMA approval). For more details, see the "Swiss Solvency Test requirement (unaudited)" section.

Regulatory requirements in the European Economic Area

In European countries, insurance entities are required to maintain minimum solvency margins according to the existing Solvency I legislation. Solvency I capital is calculated as a fixed percentage of premiums, claims, reserves and net amounts at risk. The required minimum solvency margin for general insurers is the greater of 16 percent of premiums written for the year or 23 percent of a three-year average of claims incurred, subject to the first tranche (EUR 61 million) of premiums at 18 percent and the first tranche (EUR 43 million) of claims at 26 percent. In these calculations, premiums and claims for certain liability lines are increased by 50 percent. A reduction is given for reinsurance based on reinsurance claims recoveries over three years as a percentage of gross claims in those years, limited to a maximum of 50 percent. Life insurance companies are required to maintain a minimum solvency margin generally of 4 percent of insurance reserves, but reduced to 1 percent of insurance reserves for life insurance where the credit and market risks are carried by policyholders, plus 0.3 percent of the amount at risk under insurance policies. The same minimum capital requirements are applicable for insurance entities operating in Switzerland. In certain European countries, both EU and non-EU, further requirements have been imposed by regulators.

On November 25, 2009 the directive on Solvency II was adopted. Solvency II aims to reflect the latest developments in prudential supervision, actuarial methods and risk management. It includes economic risk-based solvency requirements, which are more risk sensitive and more sophisticated than Solvency I. Solvency II capital requirements also consider all material risks and their interactions. As part of the risk management system, every insurance and reinsurance entities will be required to conduct their own risk and solvency assessment, including the assessment of the overall solvency needs reflecting their specific risk profiles. As part of the disclosure provisions, companies will have to publicly report their solvency and financial condition.

In 2013, the timeline for the roll-out of Solvency II was further specified. The introduction of the complete framework is expected for January 1, 2016. Zurich is fully engaged in an extensive program of work in order to meet Solvency II requirements when they enter into force. The Group intends to use its internal model, which aligns the Solvency II approach with that used for the Z-ECM, for Zurich Insurance plc (Ireland). The Group is in the pre-application process in order to gain regulatory approval for the internal model from the Central Bank of Ireland, the Group's EU lead regulator.

Regulatory requirements in the U.S.

In the U.S., required capital is determined to be the "company action level risk-based capital" calculated with the risk-based capital model of the National Association of Insurance Commissioners. This method, which builds on regulatory accounts, measures the minimum amount of capital for an insurance company to support its overall business operations by taking into account its size and risk profile. The calculation is based on risk-sensitive factors that are applied to various asset, premium, claim, expense and reserve items.

Regulatory requirements in Asia Pacific, Latin America and Middle East and Africa

Every country has a capital standard for insurance companies. Some jurisdictions, including Japan, Mexico and South Africa, have started to review their economical capital requirements, considering similar approaches to Solvency II.

Solvency I requirements at Group level

The Group continues to be subject to Solvency I requirements based on the Swiss Insurance Supervisory Law. Table 22 sets out the Solvency I position as drafted for filing with the Swiss regulator for 2013 and a restated position for 2012. See Note 1 of the Consolidated financial statements for more information.

The Group's Solvency I composition

Table 22

in USD millions, as of December 31	2013	2012[1]
Eligible equity		
Total equity	**34,734**	**36,874**
Net of intangibles and other assets	(7,996)	(8,501)
Free reserves for policyholder dividends	4,954	5,238
Subordinated debt[2]	5,815	5,709
Deferred policyholder acquisition costs non-life insurance	(3,231)	(3,088)
Dividends	(2,817)[3]	(2,730)
Total eligible equity	**31,460**	**33,500**
Total required solvency capital	**12,201**	**12,031**
Excess margin	**19,259**	**21,470**
Solvency I ratio	**258%**	**278%**

[1] December 31, 2012 has been restated as set out in note 1 of the Consolidated financial statements.
[2] Dated subordinated debt issuances are admissible up to 25 percent of the capital requirement, undated issuances up to 50 percent of the capital requirement.
[3] Amount for dividend reflects the proposed dividend for the financial year 2013, not yet approved by the Annual General Meeting.

As of December 31, 2013 and 2012 respectively, the Group and its material, regulated subsidiaries complied with the applicable regulatory minimum capital requirements.

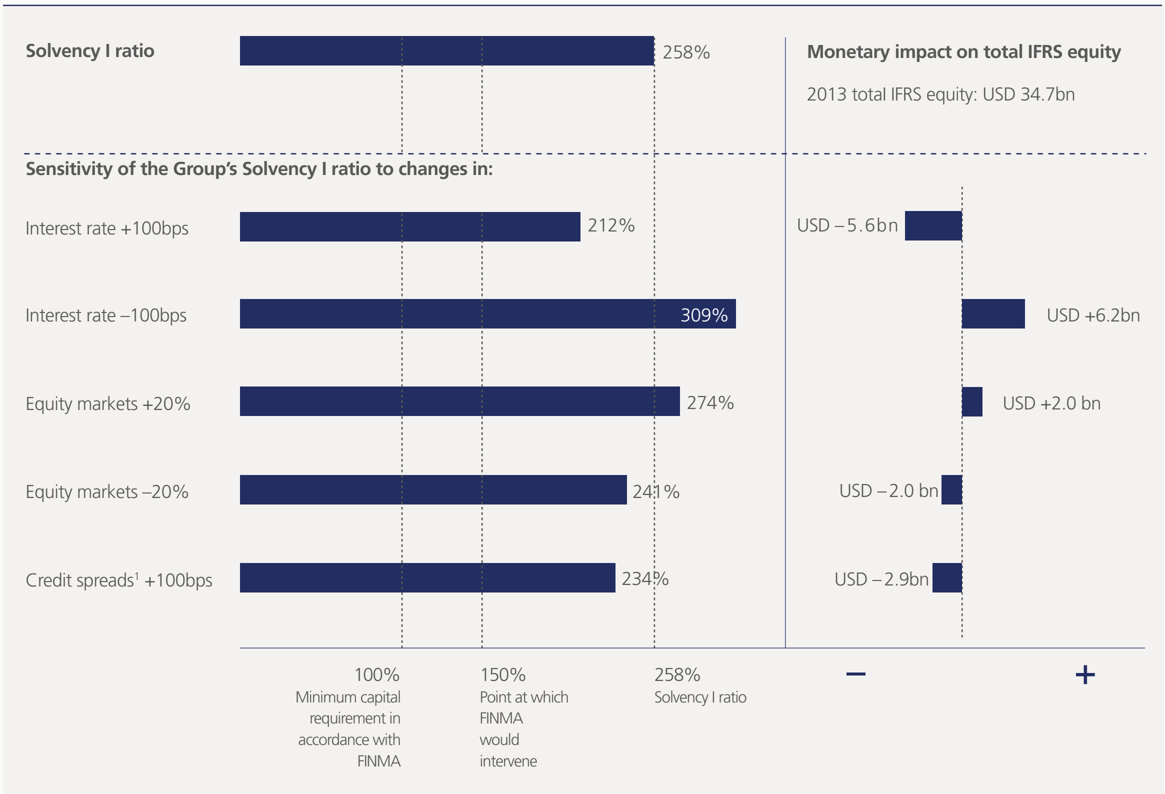
The following chart shows the estimated impact on the Group's solvency position of a one percentage point increase/decrease in yield curves, a separate 20 percent rise/decline in all stock markets, after consideration of hedges in place and a separate one percentage point change in credit spreads, as of December 31, 2013. The sensitivities are considered separate but instantaneous scenarios.

Limitations of the analysis:

- The sensitivity analysis does not take into account actions that might be taken to mitigate losses. The Group uses an active strategy to manage these risks, which may involve changing the asset allocation, for example, through selling and buying assets.
- The sensitivities show the effects from a change of certain risk factors, while other assumptions, such as policyholder assumptions, remain unchanged.
- The interest rate scenarios assume a parallel shift of all interest rates.
- The equity market scenario assumes a concurrent movement of all stock markets.
- The impact on unit-linked business is not included, as policyholders bear the majority of investment risk.
- The impact on changes to the required capital is not included in the sensitivities for the Solvency I ratio.
- The major markets in which the Group invests are the U.S. and Europe. The major interest rate exposures are to U.S. dollar- and euro- denominated assets and liabilities. The sensitivities do not indicate a probability of such events and do not necessarily represent the Group's view of expected future market changes. Debt securities are primarily exposed to interest rate risk, while equity securities are primarily exposed to equity market risk. Debt securities can be affected also by spread widening due to changes in credit quality.
- The Group effective tax rate is assumed to be 24.9 percent in 2013. For the Non-Core Businesses with life insurance characteristics, specific tax rates have been applied.

Risk review *continued*

Sensitivities for the Group's Solvency I ratio and IFRS equity
(as of December 31, 2013)



[1] The credit spread sensitivity is applied to corporate debt, mortgages and euro currency government debt (excluding Germany).

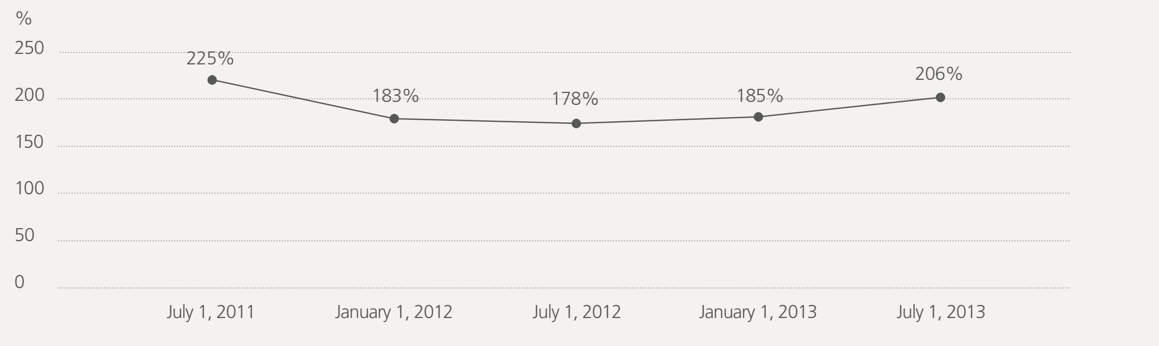
Beginning of unaudited sections.

Swiss Solvency Test requirement

Since January 1, 2011, the Swiss Solvency Test (SST) capital requirements are binding in Switzerland. The Group uses an adaptation of its internal Zurich Economic Capital Model (Z-ECM) to comply with the SST requirements and runs a full SST calculation twice a year. The model is still subject to FINMA approval. For more details about Z-ECM, see the "Internal model capital adequacy (unaudited)" section. For more details about the SST model approval process see the "Regulatory requirements in Switzerland (audited)".

The Group has filed with FINMA an SST ratio of 206 percent as of July 1, 2013.

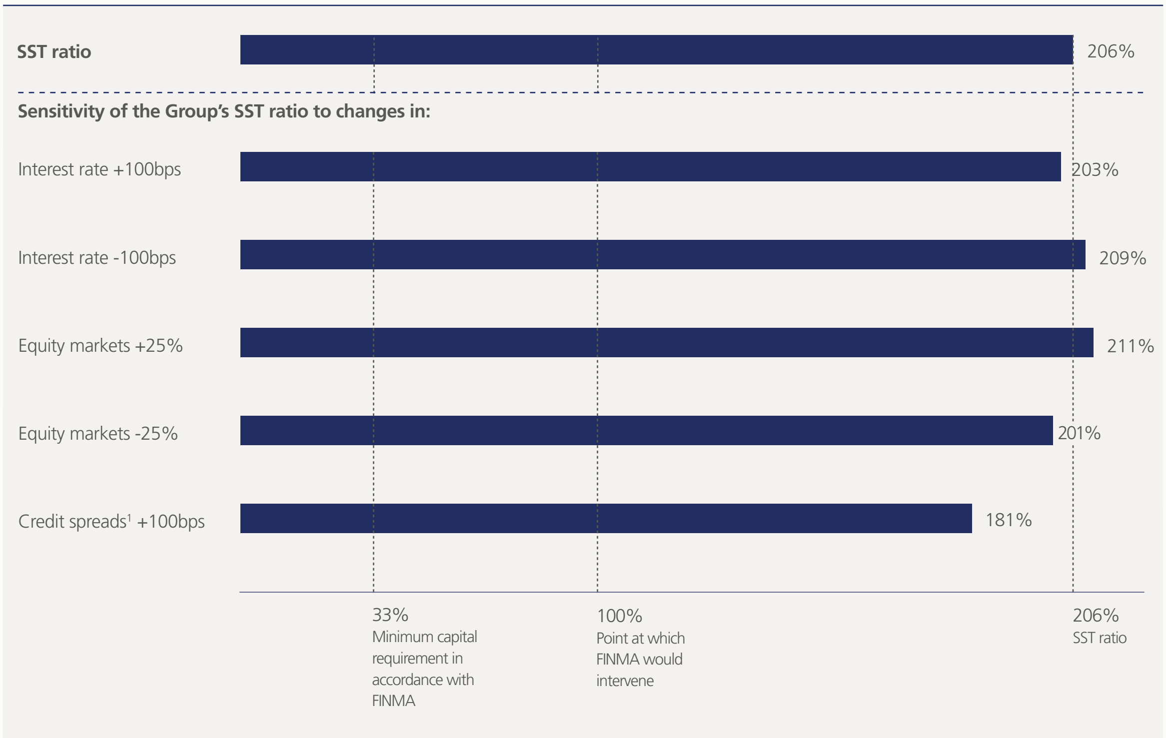
Development of the Group's Swiss Solvency Test ratio
(in %)



Risk review *continued*

The following chart shows the estimated impact on the Group's SST ratio of a one percentage point increase/decrease in yield curves, a separate 25 percent rise/decline in all stock markets, after consideration of hedges in place and a separate one percentage point change in credit spreads, as of July 1, 2013. The sensitivities are considered separate but instantaneous scenarios.

Sensitivities for the Group's Swiss Solvency Test ratio
(as of July 1, 2013)



[1] The credit spread sensitivity is applied to corporate debt, mortgages and Euro currency government debt (excluding Germany). The credit spread sensitivity does not take into account the buffering effect of policyholder participation.

Internal model capital adequacy

Internally, the Group uses its Zurich Economic Capital Model (Z-ECM), which also forms the basis of the SST model. The Z-ECM targets a total capital level that is calibrated to an "AA" financial strength. Zurich defines the Z-ECM capital required as being the 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 Group uses Z-ECM to assess the economic capital consumption of its business on a one-balance-sheet approach. The Z-ECM framework is an integral part of how the Group is managed. The Z-ECM framework is embedded in the Group's organization and decision making, and is used in capital allocation, business performance management, pricing, reinsurance purchasing, transaction evaluation, risk optimization, and regulatory, investor, and rating agency communication.

Group's Risk Tolerance

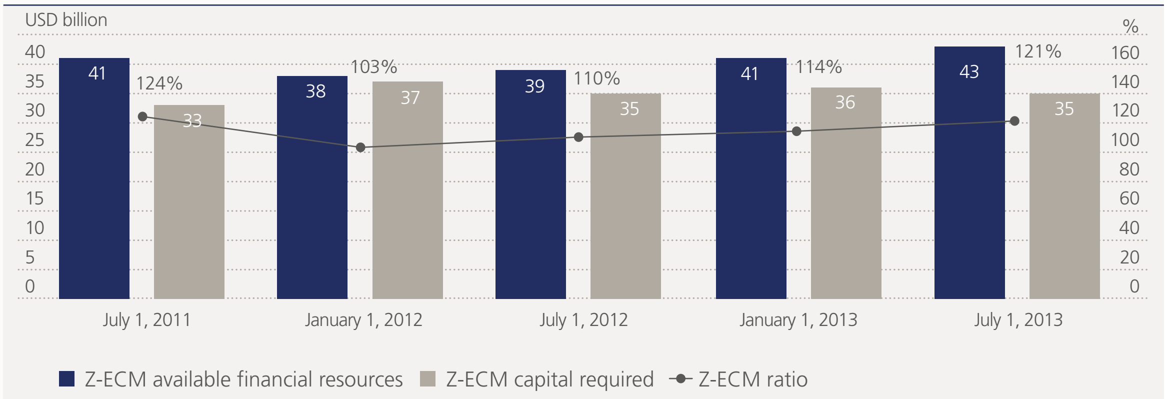
Z-ECM ratio		
120%	>120%	Consider increased risk taking or remedial actions
100%	**100-120% "AA" Target Range**	**No action required as within stated objective and equivalent to "AA" rating**
90%	90-100%	Position may be tolerated for a certain time depending on the risk environment
0%	<90%	Z-ECM ratio below Group risk tolerance level, requiring appropriate remedial actions and implementation of de-risking measures

Z-ECM quantifies the capital required for insurance-related risk (including premium and reserve, natural catastrophe, business and life insurance), market risk (market/ALM), credit risk (including reinsurance credit and investment credit) and operational risks.

At the Group level, Zurich compares Z-ECM capital required to the Z-ECM available financial resources (Z-ECM AFR) to derive an Economic Solvency Ratio (Z-ECM ratio). Z-ECM AFR reflects financial resources available to cover policyholder liabilities in excess of their expected value. It is derived by adjusting the IFRS shareholders' equity to reflect the full economic capital base available to absorb any unexpected volatility in the Group's business activities.

The chart below shows the development of the Group's Z-ECM available financial resources, Z-ECM capital required and Z-ECM ratio over time. As of October 1, 2013, the Z-ECM ratio was 120 percent.

Analysis of the Group's Z-ECM available financial resources and Z-ECM capital required
(in USD billions)

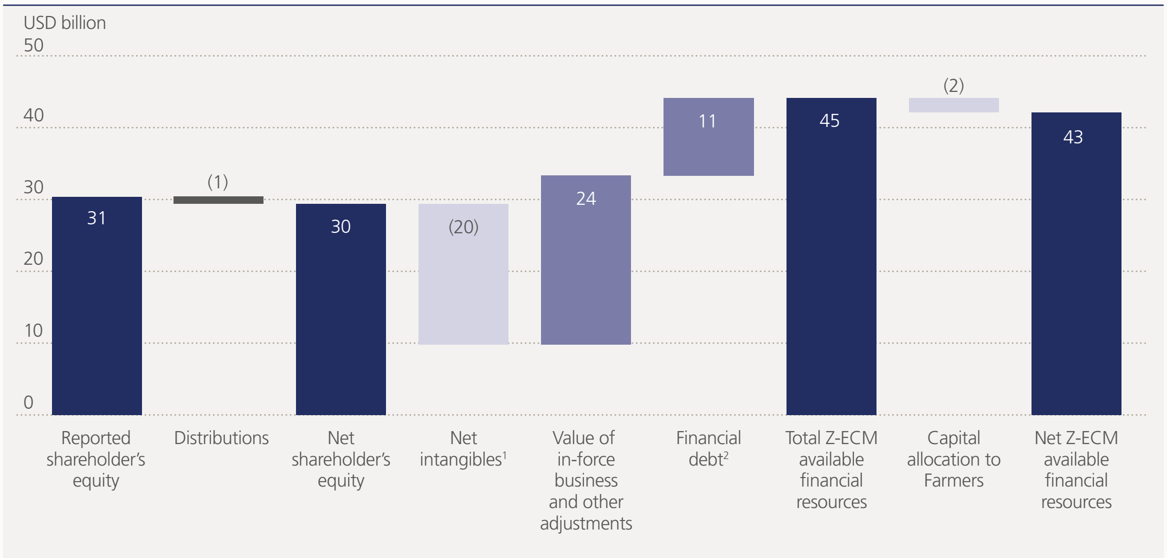


Group performance review

Risk review *continued*

The chart below shows an analysis of the composition of the Group's Z-ECM available financial resources as of July 1, 2013.

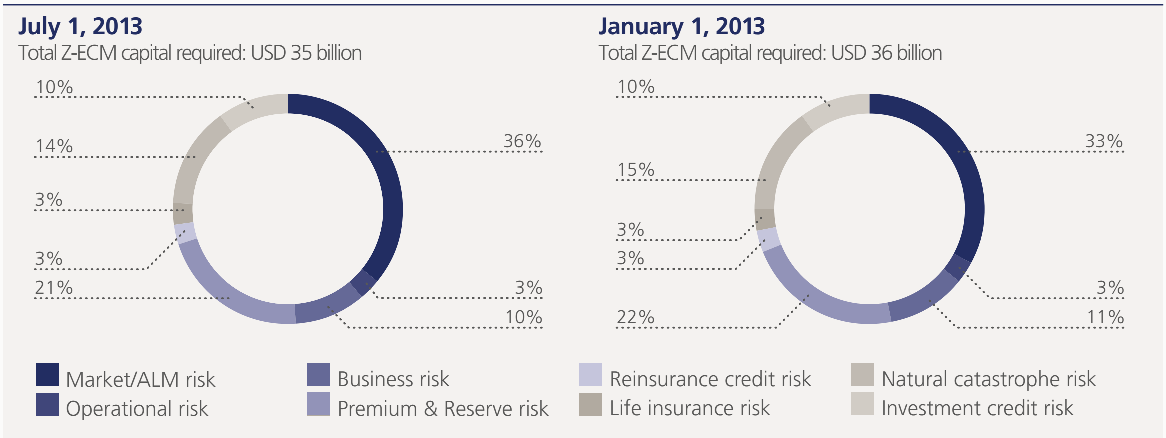
Analysis of the Group's Z-ECM available financial resources
(in USD billions as of July 1, 2013)



[1] Shareholders' intangible assets adjusted for taxes less deferred front-end fees and deferred tax liabilities
[2] All debt issues (senior and subordinated) excluding those classified as operational debt or maturing within one year

The chart below shows a split of the Z-ECM capital required split by risk type as of July 1 and as of January 1, 2013 respectively. As of July 1, 2013, the largest proportion of Z-ECM capital required arises from Market/ALM risk which comprises 36 percent of the total. Premium & Reserve risk is the second largest, comprising 21 percent.

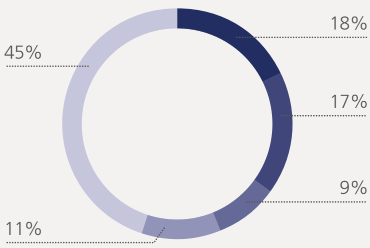
Z-ECM capital required split by risk type
(%, as of July 1 and January 1, 2013)



As part of Z-ECM, the Group uses a scenario-based approach to assess, model and quantify the capital required for operational risk for business units under extreme circumstances and a very slight probability of occurrence (internal model calibrated to a confidence level of 99.95 percent over a one-year time horizon). The chart below shows the operational risk scenarios that have the highest impact on Z-ECM capital required. See "Operational risk (audited)" for more information.

Z-ECM capital required for operational risk, split by risk scenario clusters
(as of July 1, 2013)

Risk scenario clusters contributing to the Z-ECM capital required for operational risk



Regulatory and Tax Compliance: This risk cluster relates to possible non-compliance with applicable laws and regulations, leading to a range of consequences. It includes fines and penalties, litigation, compensation to policyholders, increased regulatory scrutiny, financial losses and increased cost of compliance, as well as consequences from a possible failure to comply with tax requirements.

M&A - Due Diligence and Integration: This risk cluster relates to poor execution ofboth the due diligence and the post-M&A integration processes. It includes the understatement of liabilities and required investments, operational or legal risks in the acquired business, inadequate transaction decisions, loss of key staff, inability to realize synergies or deliver benefits.

Outsourcing: This risk cluster relates to poor quality or disruption in services provided by third parties as a result of failure to manage global or local outsourcing agreements effectively or financial failure (e.g. insolvency) of a major supplier.

Market Abuse, Mis-selling and Conduct of Business: This risk cluster relates to the possibility that staff, processes or systems may operate in ways that lead to inappropriate conduct of business in relation to the customer. It includes the possibility of investigations, sanctions and fines imposed on Zurich as a company or any member of staff as a result of market abuse, mis-selling practices leading to regulatory breach or increased compensation.

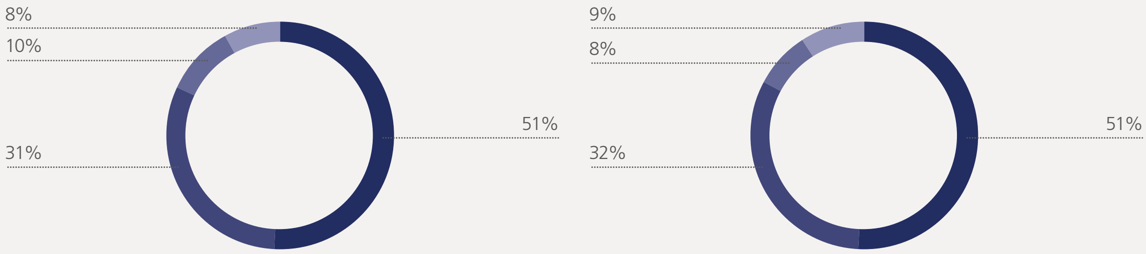
Other scenarios

The following chart shows a split of the Z-ECM capital required allocated to the segments as of July 1 and as of January 1, 2013. As of July 1, 2013, the largest proportion of Z-ECM capital required is allocated to General Insurance, which comprises 51 percent of the total, followed by Global Life with 31 percent of the total. Total allocated capital as of July 1, 2013 equals USD 35 billion Z-ECM capital required plus USD 2 billion direct allocation to Farmers.

Total capital allocated, by segment
(%, as of July 1 and January 1, 2013)

July 1, 2013
Total capital allocated: USD 37 billion

January 1, 2013
Total capital allocated: USD 39 billion



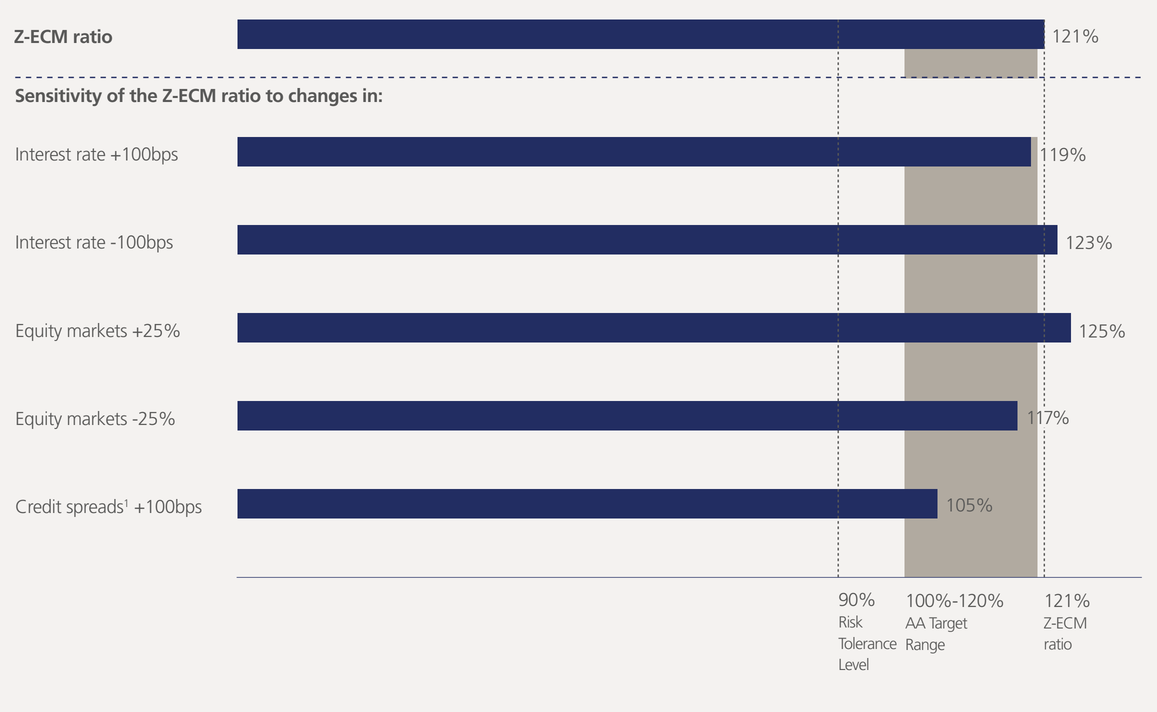
General Insurance · Life insurance · Other Operating Businesses and Non-Core Businesses · Farmers

Risk review *continued*

The chart below shows the estimated impact on the Group's Z-ECM ratio of:
- A one percentage point increase/decrease in yield curves
- A 25 percent rise/decline in all stock markets, after consideration of hedges in place
- A one percentage point change in credit spreads

The sensitivities are considered separate but instantaneous scenarios.

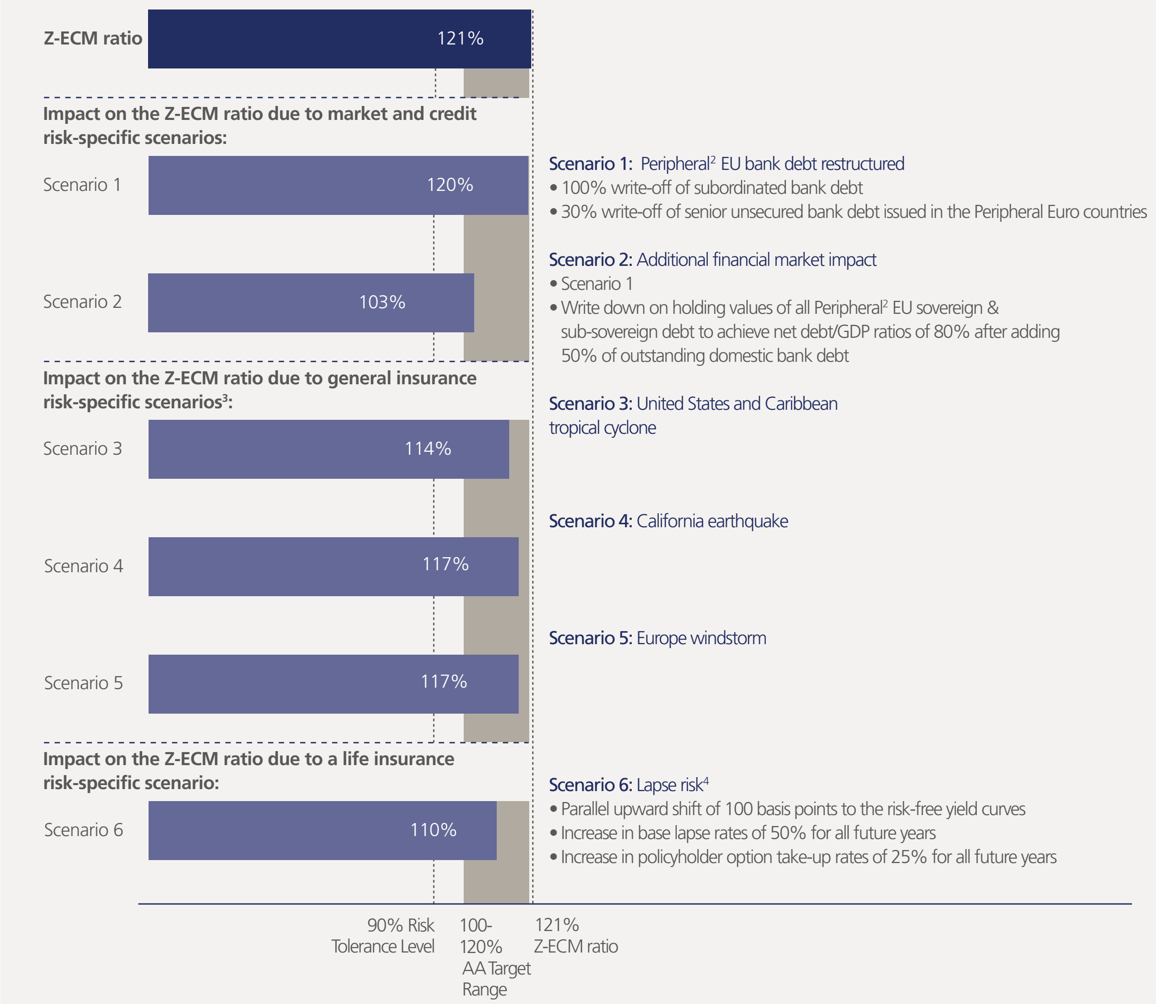
Sensitivites for the Z-ECM ratio
(as of July 1, 2013)



[1] The credit spread sensitivity is applied to corporate debt, mortgages and Euro currency government debt (excluding Germany). The credit spread sensitivity does not take into account the buffering effect of policyholder participation.

In addition to the sensitivities shown above, the Group also evaluates certain stress scenarios on the Z-ECM ratio. Scenarios are defined as events that have a very small probability of occurrence and that could, if realized, negatively affect the Group's Z-ECM available financial resources. The chart on the following page shows three groups of scenarios: market and credit risk-specific, general insurance risk-specific and life insurance risk-specific. In the current market environment, the market and credit risk-specific scenarios particularly focus on peripheral EU debt exposure and adverse financial market impact on equity markets and interest rates in the EU. The general insurance risk-specific scenarios present the three largest natural catastrophe events to which the Group is exposed. Lapse risk represents the Group's largest life insurance risk-specific exposure.

Impact of market, credit, and insurance scenarios on Z-ECM[1]
as of July 1, 2013



[1] The impact of scenarios on changes to the Z-ECM capital required is not included in the sensitivities for the Z-ECM ratio as the impact is expected to be small and positive. Scenario 1 and Scenario 2 do not take into account the buffering effect of policyholder participation.
[2] Greece, Ireland, Italy, Portugal and Spain
[3] The general 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% probability of non-exceedance).
[4] The second assumption under the lapse risk scenario, "increase in base lapse rates of 50% for all future years," is applied in a similar manner as the Embedded Value sensitivity, "10% increase in voluntary discontinuance rates"; however the former is pre-tax while the latter is post-tax. (For more details, see the "Embedded value report.") Also, combining the assumptions in the lapse risk scenario introduces potential non-linear effects, which makes it difficult to directly compare the scenario with the Embedded Value sensitivity.

Risk review *continued*

Conclusion

Zurich's risk management framework is well embedded in the business. It sets clear responsibilities for taking, managing, monitoring and reporting risks, and is based on a transparent risk tolerance and risk limit system approved by the Board.

Enterprise risk management

Aligned with the Group's strategic and operational planning process

In 2013 Zurich conducted more than 150 Total Risk Profiling™ exercises, allowing for a systematic assessment of risk from a strategic perspective. The Zurich Risk Policy was strengthened for various areas, including outsourcing.

The Group focused on information security, business continuity management, anti-fraud and internal control initiatives, to manage operational risk.

Processes for a well-balanced and effectively managed remuneration program were strengthened.

More details on pages 128, 129 and 163

Fostering risk culture

Embedding standards and principles Group-wide to promote risk awareness and informed risk-taking

In 2013, Zurich continued to strengthen its risk culture. Risk transparency was enhanced by including in-depth risk insights into topics such as the development of new global capital standards, politcal risks in Latin America, and emerging risks.

The Zurich Risk Policy articulates the Group's approach to risk and its control, and sets standards for effective risk management throughout the Group.

Zurich Remuneration Rules help to root disciplined risk-taking across all levels in the Group

More details on pages 128–130 and 132

Regulatory trends

Monitoring developments in the environment in which Zurich operates

Regulatory regimes, such as the Swiss Solvency Test and the regulatory principles of Solvency II, emphasize a risk-based and economic approach, based on comprehensive quantitative and qualitative assessments and reports. In 2013, the timeline for the roll-out of Solvency II was further specified.

Several countries, among them Japan, Mexico and South Africa, started the legislative process to implement regulatory frameworks similar to Solvency II.

To address the topic of systemic risks, the Financial Stability Board announced a list of Global Systemically Important Insurers, Zurich not being among them.

More details on pages 129 and 166

Economic risk profile

Insurance-related and business risks: main drivers of the Group's required capital

As of July 1, 2013, insurance-related and business risks contributes to 48% of the Z-ECM capital required. 51% of the total capital allocated to the segments goes to General Insurance, 31% to Global Life and 8% to Farmers.

More details on pages 172–173

Financial condition

Well within the Group's target capital level that is calibrated to a 'AA' financial strength

As of July 1, 2013, the Group had a Zurich Economic Capital Model (Z-ECM) ratio of 121%, and was well above the Swiss Solvency Test requirements with a ratio of 206%. As of December 31, 2013, the Group's Solvency I ratio was 258%.

121%

Z-ECM ratio (as of July 1, 2013)

As of January 1, 2014, Zurich Insurance Company Ltd was rated AA– by Standard and Poor's, with a stable outlook.

AA–/stable

Standard & Poor's financial strength rating of Zurich Insurance Company Ltd (as of December 31, 2013)

More details on pages 165, 167, 169 and 171

Financial condition under stressed perspective

Assessing the potential impact of particularly severe and unlikely scenarios

Zurich assesses the impact of severe events that, while occurring at a very small probability, may have a substantial negative affect on the Group's Z-ECM available financial resources when realized. Depending on the results, the Group develops, implements and monitors improvement actions.

In 2013, the sensitivities for the Z-ECM ratio were analyzed with regard to changes in market and credit conditions. Under all scenarios, the Z-ECM ratio stayed well within the "AA" target range.

Large write-offs on the peripheral EU debt exposure, combined with adverse financial market impact, is one of the worst-case scenarios the Group assessed. If the scenario were realized, the Z-ECM ratio would remain well within the "AA" target range.

More details on page 174

End of unaudited sections.

Financial information

In this section

Consolidated financial statements

Contents

Consolidated income statements

in USD millions, for the years ended December 31	Notes	2013	Restated 2012
Revenues			
Gross written premiums		51,965	51,285
Policy fees		2,884	2,692
Gross written premiums and policy fees		54,849	53,977
Less premiums ceded to reinsurers		(6,546)	(6,481)
Net written premiums and policy fees		48,303	47,496
Net change in reserves for unearned premiums	11	(1,025)	(741)
Net earned premiums and policy fees		47,277	46,755
Farmers management fees and other related revenues	14	2,810	2,846
Net investment result on Group investments	6	7,398	8,983
Net investment income on Group investments		6,240	6,782
Net capital gains/(losses) and impairments on Group investments		1,157	2,201
Net investment result on unit-linked investments	6	12,805	10,193
Net gain/(loss) on divestments of businesses		(1)	(34)
Other income		1,757	1,669
Total revenues		72,045	70,411
Benefits, losses and expenses			
Insurance benefits and losses, gross of reinsurance	11	35,256	37,271
Less ceded insurance benefits and losses	11	(3,058)	(3,519)
Insurance benefits and losses, net of reinsurance	11	32,198	33,752
Policyholder dividends and participation in profits, net of reinsurance	11	13,946	11,405
Underwriting and policy acquisition costs, net of reinsurance	11	10,041	10,014
Administrative and other operating expense	13	8,804	8,654
Interest expense on debt	20	586	570
Interest credited to policyholders and other interest		510	545
Total benefits, losses and expenses		66,086	64,939
Net income before income taxes		5,960	5,472
Income tax expense	19	(1,701)	(1,496)
attributable to policyholders	19	(285)	(194)
attributable to shareholders	19	(1,415)	(1,302)
Net income after taxes		**4,259**	**3,975**
attributable to non-controlling interests		231	89
attributable to shareholders		4,028	3,887
in USD			
Basic earnings per share	21	27.33	26.50
Diluted earnings per share	21	27.22	26.37
in CHF			
Basic earnings per share	21	25.33	24.84
Diluted earnings per share	21	25.23	24.72

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
2012			
Comprehensive income for the period, as restated	3,887	1,724	6
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		3,875	32
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(1,724)	(35)
Deferred income tax (before foreign currency translation effects)		(514)	4
Foreign currency translation effects		87	6
2013			
Comprehensive income for the period	4,028	(2,794)	(133)
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		(1,684)	(87)
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(1,692)	(86)
Reclassification to retained earnings		–	–
Deferred income tax (before foreign currency translation effects)		596	40
Foreign currency translation effects		(13)	1

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

	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	Comprehensive income attributable to non-controlling interests	Total comprehensive income
	(441)	1,289	–	(459)	(459)	830	4,717	138	4,855
	(485)	3,422	–	(485)	(485)	2,937			
	44	(1,715)	–	–	–	(1,715)			
	–	(511)	–	104	104	(407)			
	–	93	–	(77)	(77)	16			
	(986)	(3,912)	15	(367)	(352)	(4,265)	(237)	122	(115)
	(1,065)	(2,836)	24	(205)	(181)	(3,017)			
	79	(1,699)	–	–	–	(1,699)			
	–	–	(6)	–	(6)	(6)			
	–	635	(4)	(76)	(80)	555			
	–	(12)	–	(86)	(86)	(98)			

Consolidated financial statements *continued*

Consolidated balance sheets

Assets

in USD millions, as of	Notes	12/31/13	Restated 12/31/12	Restated 01/01/12
Investments				
Total Group investments	6	207,280	209,582	198,549
Cash and cash equivalents		7,181	9,098	8,835
Equity securities		13,183	12,341	13,037
Debt securities		156,456	155,594	144,139
Real estate held for investment		8,745	8,561	8,472
Mortgage loans		9,798	10,519	11,058
Other loans		11,789	13,385	12,928
Investments in associates and joint ventures		129	85	80
Investments for unit-linked contracts	6	134,267	123,913	111,911
Total investments	6	341,547	333,496	310,461
Reinsurers’ share of reserves for insurance contracts	8	17,978	19,753	19,592
Deposits made under assumed reinsurance contracts		2,645	2,588	2,711
Deferred policy acquisition costs	12	18,724	18,346	17,420
Deferred origination costs	12	724	770	824
Accrued investment income		2,321	2,414	2,589
Receivables and other assets	17	18,499	18,425	17,831
Mortgage loans given as collateral		–	–	223
Deferred tax assets	19	2,020	1,853	2,076
Assets held for sale[1]		223	102	54
Property and equipment	15	1,494	1,530	1,580
Goodwill	16	1,852	2,107	2,060
Other intangible assets	16	7,028	7,448	8,062
Total assets		**415,053**	**408,831**	**385,481**

[1] December 31, 2013 included assets relating to a subsidiary of Centre Group Holdings Limited amounting to USD 100 million (see note 5) and land and buildings formerly classified as real estate held for investment amounting to USD 123 million. December 31, 2012 included land and buildings formerly classified as real estate held for investment and held for own use amounting to USD 91 million and USD 10 million, respectively. January 1, 2012 included assets relating to the sale of a company in Bolivia (see note 5 of the Consolidated financial statements 2012).

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

Liabilities and equity

in USD millions, as of	Notes	12/31/13	Restated 12/31/12	Restated 01/01/12
Liabilities				
Reserve for premium refunds		571	706	611
Liabilities for investment contracts	9	67,113	57,437	50,309
Deposits received under ceded reinsurance contracts		1,245	1,558	1,560
Deferred front-end fees		5,791	6,073	5,720
Reserves for insurance contracts	8	265,440	265,233	253,207
Obligations to repurchase securities		1,685	1,539	1,794
Accrued liabilities		3,023	3,279	3,154
Other liabilities	18	17,904	18,368	18,265
Collateralized loans		–	–	223
Deferred tax liabilities	19	5,110	5,244	4,577
Liabilities held for sale[1]		49	–	55
Senior debt	20	6,044	6,660	6,541
Subordinated debt	20	6,342	5,861	5,476
Total liabilities		**380,319**	**371,957**	**351,493**
Equity				
Share capital	21	11	11	10
Additional paid-in capital	21	6,395	8,172	9,907
Net unrealized gains/(losses) on available-for-sale investments		1,730	4,523	2,800
Cash flow hedges		106	238	232
Cumulative foreign currency translation adjustment		(4,008)	(3,022)	(2,581)
Revaluation reserve		195	180	180
Retained earnings		28,075	24,403	20,951
Shareholders' equity		32,503	34,505	31,499
Non-controlling interests		2,231	2,369	2,490
Total equity		**34,734**	**36,874**	**33,989**
Total liabilities and equity		**415,053**	**408,831**	**385,481**

[1] December 31, 2013 included liabilities relating to a subsidiary of Centre Group Holdings Limited amounting to USD 49 million (see note 5). January 1, 2012 included liabilities relating to the sale of a company in Bolivia (see note 5 of the Consolidated financial statements 2012).

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	**2013**	Restated 2012
Cash flows from operating activities		
Net income attributable to shareholders	4,028	3,887
Adjustments for:		
Net (gain)/loss on divestments of businesses	1	34
(Income)/expense from equity method accounted investments	(11)	(12)
Depreciation, amortization and impairments of fixed and intangible assets	1,198	1,085
Other non-cash items	255	134
Underwriting activities:	8,144	10,313
Reserves for insurance contracts, gross	*(727)*	5,727
Reinsurers' share of reserves for insurance contracts	*1,787*	80
Liabilities for investment contracts	*7,984*	5,283
Deferred policy acquisition costs	*(578)*	(960)
Deferred origination costs	*62*	89
Deposits made under assumed reinsurance contracts	*(58)*	125
Deposits received under ceded reinsurance contracts	*(327)*	(31)
Investments:	(11,006)	(12,099)
Net capital (gains)/losses on total investments and impairments	*(12,245)*	(10,574)
Net change in trading securities and derivatives	*15*	(169)
Net change in money market investments	*1,578*	341
Sales and maturities		
Debt securities	*109,172*	107,436
Equity securities	*62,758*	64,123
Other	*28,003*	39,077
Purchases		
Debt securities	*(113,259)*	(110,301)
Equity securities	*(62,968)*	(62,800)
Other	*(24,059)*	(39,231)
Proceeds from sale and repurchase agreements	117	(332)
Movements in receivables and payables	(1,260)	(953)
Net changes in other operational assets and liabilities	(252)	351
Deferred income tax, net	228	461
Net cash provided by/(used in) operating activities	1,443	2,868

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

in USD millions, for the years ended December 31	2013	Restated 2012
Cash flows from investing activities		
Sales of property and equipment	66	95
Purchases of property and equipment	(282)	(226)
(Acquisitions)/disposals of equity method accounted investments, net	(24)	3
Acquisitions of companies, net of cash acquired	–	(97)
Divestments of companies, net of cash balances	–	(14)
Dividends from equity method accounted investments	1	6
Net cash provided by/(used in) investing activities	(239)	(233)
Cash flows from financing activities		
Dividends paid	(2,889)	(2,704)
Issuance of share capital	44	96
Net movement in treasury shares	15	30
Issuance of debt	1,545	1,575
Repayment of debt	(1,948)	(1,315)
Net cash provided by/(used in) financing activities	(3,233)	(2,318)
Foreign currency translation effects on cash and cash equivalents	(17)	187
Change in cash and cash equivalents	(2,046)	503
Cash and cash equivalents as of January 1	10,208	9,705
Cash and cash equivalents as of December 31	**8,162**	**10,208**
of which:		
– cash and cash equivalents – Group investments	7,181	9,098
– cash and cash equivalents – unit linked	982	1,110
Other supplementary cash flow disclosures		
Other interest income received	6,437	6,929
Dividend income received	1,724	1,826
Other interest expense paid	(1,180)	(1,216)
Income taxes paid	(1,186)	(1,231)

Cash and cash equivalents

in USD millions, as of December 31	2013	Restated 2012
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	5,746	6,954
Cash equivalents	2,416	3,254
Total	**8,162**	**10,208**

As of December 31, 2013 and 2012, cash and cash equivalents held to meet local regulatory requirements were USD 1,284 million and USD 1,345 million, respectively.

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

Consolidated financial statements *continued*

Consolidated statements of changes in equity

in USD millions	Share capital	Additional paid-in capital
Balance as of December 31, 2011, as previously reported	10	9,907
Total adjustments due to restatement	–	–
Balance as of December 31, 2011, as restated	10	9,907
Issuance of share capital[1]	–	221
Dividends to shareholders[2]	–	(1,923)
Share-based payment transactions	–	(34)
Treasury share transactions[4]	–	2
Change in ownership interests with no loss of control	–	–
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, 2012, as restated	11	8,172
Balance as of December 31, 2012, as previously reported	11	8,172
Total adjustments due to restatement	–	–
Balance as of December 31, 2012, as restated	11	8,172
Issuance of share capital[1]	–	152
Dividends to shareholders[3]	–	(1,933)
Share-based payment transactions	–	(4)
Treasury share transactions[4]	–	8
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, 2013	**11**	**6,395**

[1] The number of common shares issued as of December 31, 2013 was 148,903,222 (December 31, 2012: 148,300,123, December 31, 2011: 147,385,822).
[2] As approved by the Annual General Meeting on March 29, 2012, the dividend of CHF 17 per share was paid out of the capital contribution reserve. The difference of USD 840 million between the dividend at transaction day exchange rates amounting to USD 2,763 million and the dividend at historical exchange rates amounting to USD 1,923 million is reflected in the cumulative foreign currency translation adjustment.
[3] As approved by the Annual General Meeting on April 4, 2013, the dividend of CHF 17 per share was paid out of the capital contribution reserve. The difference of USD 718 million between the dividend at transaction day exchange rates amounting to USD 2,651 million and the dividend at historical exchange rates amounting to USD 1,933 million is reflected in the cumulative foreign currency translation adjustment.
[4] The number of treasury shares deducted from equity as of December 31, 2013 amounted to 1,320,652 (December 31, 2012: 1,348,395, December 31, 2011: 1,373,392).

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

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
2,800	232	(2,581)	180	20,936	31,484	2,489	33,973
–	–	–	–	15	15	1	16
2,800	232	(2,581)	180	20,951	31,499	2,490	33,989
–	–	–	–	–	221	–	221
–	–	–	–	–	(1,923)	(43)	(1,966)
–	–	–	–	–	(34)	–	(34)
–	–	–	–	28	30	–	30
–	–	–	–	(5)	(5)	–	(5)
1,724	6	(441)	–	3,428	4,717	138	4,855
–	–	–	–	*3,887*	*3,887*		
1,724	–	–	–	–	*1,724*		
–	*6*	–	–	–	*6*		
–	–	*(441)*	–	–	*(441)*		
–	–	–	–	–	–		
–	–	–	–	*(459)*	*(459)*		
–	–	–	–	–	–	(216)	(216)
4,523	238	(3,022)	180	24,403	34,505	2,369	36,874
4,523	238	(3,022)	180	24,391	34,494	2,368	36,862
–	–	–	–	11	11	1	12
4,523	238	(3,022)	180	24,403	34,505	2,369	36,874
–	–	–	–	–	152	–	152
–	–	–	–	–	(1,933)	(238)	(2,171)
–	–	–	–	–	(4)	–	(4)
–	–	–	–	7	15	–	15
–	–	–	–	6	6	–	6
(2,794)	(133)	(986)	15	3,661	(237)	122	(115)
–	–	–	–	*4,028*	*4,028*		
(2,794)	–	–	–	–	*(2,794)*		
–	*(133)*	–	–	–	*(133)*		
–	–	*(986)*	–	–	*(986)*		
–	–	–	*15*	–	*15*		
–	–	–	–	*(367)*	*(367)*		
–	–	–	–	–	–	(22)	(22)
1,730	**106**	**(4,008)**	**195**	**28,075**	**32,503**	**2,231**	**34,734**

Consolidated financial statements *continued*

Zurich Insurance Group Ltd and its subsidiaries (collectively the Group) is a provider of insurance-based products. The Group also distributes non-insurance products, such as mutual funds, mortgages and other financial services products, from selected third-party providers. The Group operates mainly in Europe, 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 is 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 12, 2014 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 2, 2014.

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 time of adoption, the Group typically applied U.S. GAAP pronouncements issued by the Financial Accounting Standards Board (FASB) on insurance and reinsurance contracts. Any subsequent changes to such pronouncements 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 is 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, with the exception of dividends, realized capital gains and losses as well as gains and losses on transfer of net assets, which are eliminated against equity. In the Consolidated financial statements inter-segment revenues and transfers are eliminated.

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 Risk review on pages 128 to 168, and they form an integral part of the Consolidated financial statements.

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. Critical accounting judgments and estimates are discussed in note 4. Actual results may differ from the estimates and assumptions made.

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 general insurance contracts, accrued investment income, receivables, reserve for premium refunds, obligations to repurchase securities and accrued liabilities.

The following balances are generally considered to be non-current: equity securities, real estate held for investment, 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 reserves for insurance contracts, deposits made under assumed reinsurance contracts, deferred origination costs, other assets, mortgage loans given as collateral, 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 policyholders' benefits, policyholders' contract deposits and other funds, other liabilities, collateralized loans, senior and subordinated debt, and assets and liabilities held for sale.

Maturity tables have been provided for the following balances: reserves for insurance contracts (tables 20a and 20b in the Risk review), liabilities for investment contracts (tables 21a and 21b in the Risk review), debt securities (table 6.4), derivative assets and derivative liabilities (tables 7.1 and 7.2), other financial liabilities (table 18.2) and outstanding debt (table 20.4).

All amounts in the Consolidated financial statements, unless otherwise stated, are shown in USD, 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 1.1 summarizes the principal exchange rates used for translation purposes. Net gains/(losses) on foreign currency transactions included in the consolidated income statements were USD 37 million and USD 79 million for the years ended December 31, 2013 and 2012, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD (58) million and USD 130 million for the years ended December 31, 2013 and 2012, respectively.

Principal exchange rates

Table 1.1

USD per foreign currency unit	Consolidated balance sheets		Consolidated income statements and cash flows	
	12/31/13	12/31/12	**12/31/13**	12/31/12
Euro	1.3778	1.3188	1.3277	1.2857
Swiss franc	1.1228	1.0928	1.0790	1.0668
British pound	1.6568	1.6272	1.5639	1.5847

Restatements and reclassifications

Tables 1.2 and 1.3 show the impacts of the restatement as a result of implementing IAS 19 "Employee Benefits" and IFRS 10 "Consolidated Financial Statements" on the consolidated income statement for the year ended December 31, 2012 and the consolidated balance sheet as of December 31, 2012. Consolidated income statements, consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and notes 6, 9, 11, 13, 17, 18, 19, 21, 22, 25, 26, 28 and 29 have been restated accordingly.

The presentation of deferred bonuses allocated to policyholders had been aligned across the Group. There was no impact to the Group's consolidated income statement. As a result of this alignment there was a corresponding reduction in both deferred front-end fees and deferred policy acquisition costs. The impact of the reduction in deferred policy acquisition costs is set out in note 12.

The presentation of indemnity commission has been aligned across the Group with no impact on the Group's consolidated income statement. As a result of this alignment there is a transfer from receivables and other assets to deferred policy acquisition costs. The impact of the increase in deferred policy acquisition costs is set out in note 12.

Consolidated financial statements *continued*

Restatement of the consolidated income statement

Table 1.2

in USD millions, for the year ended December 31, 2012	As reported	IAS 19	IFRS 10	As restated
Revenues				
Gross written premiums	51,285	–	–	51,285
Policy fees	2,692	–	–	2,692
Gross written premiums and policy fees	53,977	–	–	53,977
Less premiums ceded to reinsurers	(6,481)	–	–	(6,481)
Net written premiums and policy fees	47,496	–	–	47,496
Net change in reserves for unearned premiums	(741)	–	–	(741)
Net earned premiums and policy fees	46,755	–	–	46,755
Farmers management fees and other related revenues	2,846	–	–	2,846
Net investment result on Group investments	8,911	–	72	8,983
Net investment income on Group investments	6,711	–	72	6,782
Net capital gains/(losses) and impairments on Group investments	2,201	–	–	2,201
Net investment result on unit-linked investments	10,268	–	(74)	10,193
Net gain/(loss) on divestments of businesses	(34)	–	–	(34)
Other income	1,669	–	–	1,669
Total revenues	70,414	–	(3)	70,411
Benefits, losses and expenses				
Insurance benefits and losses, gross of reinsurance	37,271	–	–	37,271
Less ceded insurance benefits and losses	(3,519)	–	–	(3,519)
Insurance benefits and losses, net of reinsurance	33,752	–	–	33,752
Policyholder dividends and participation in profits, net of reinsurance	11,479	–	(74)	11,405
Underwriting and policy acquisition costs, net of reinsurance	10,014	–	–	10,014
Administrative and other operating expense	8,661	(9)	2	8,654
Interest expense on debt	570	–	–	570
Interest credited to policyholders and other interest	475	–	69	545
Total benefits, losses and expenses	64,951	(9)	(3)	64,939
Net income before income taxes	5,462	9	–	5,472
Income tax expense	(1,496)	–	–	(1,496)
attributable to policyholders	(194)	–	–	(194)
attributable to shareholders	(1,301)	–	–	(1,302)
Net income after taxes	**3,967**	**9**	**–**	**3,975**
attributable to non-controlling interests	89	–	–	89
attributable to shareholders	3,878	9	–	3,887
in USD				
Basic earnings per share	26.44	0.06	–	26.50
Diluted earnings per share	26.31	0.06	–	26.37
in CHF				
Basic earnings per share	24.79	0.06	–	24.84
Diluted earnings per share	24.66	0.06	–	24.72

Restatement of the consolidated balance sheet

Table 1.3

in USD millions, as of December 31, 2012	As reported	IAS 19	IFRS 10	As restated
Investments				
Total Group investments	208,707	–	875	209,582
Cash and cash equivalents	9,098	–	–	9,098
Equity securities	12,341	–	–	12,341
Debt securities	155,594	–	–	155,594
Real estate held for investment	8,561	–	–	8,561
Mortgage loans	10,519	–	–	10,519
Other loans	12,423	–	962	13,385
Investments in associates and joint ventures	172	–	(87)	85
Investments for unit-linked contracts	125,226	–	(1,313)	123,913
Total investments	333,934	–	(438)	333,496
Reinsurers' share of reserves for insurance contracts	19,753	–	–	19,753
Deposits made under assumed reinsurance contracts	2,588	–	–	2,588
Deferred policy acquisition costs	18,346	–	–	18,346
Deferred origination costs	770	–	–	770
Accrued investment income	2,414	–	–	2,414
Receivables and other assets	18,423	–	3	18,425
Deferred tax assets	1,854	–	–	1,853
Assets held for sale	102	–	–	102
Property and equipment	1,530	–	–	1,530
Goodwill	2,107	–	–	2,107
Other intangible assets	7,448	–	–	7,448
Total assets	**409,267**	**–**	**(436)**	**408,831**
Liabilities				
Reserve for premium refunds	706	–	–	706
Liabilities for investment contracts	58,131	–	(693)	57,437
Deposits received under ceded reinsurance contracts	1,558	–	–	1,558
Deferred front-end fees	6,073	–	–	6,073
Reserves for insurance contracts	265,233	–	–	265,233
Obligations to repurchase securities	1,539	–	–	1,539
Accrued liabilities	3,272	–	7	3,279
Other liabilities	18,135	(18)	251	18,368
Deferred tax liabilities	5,238	6	–	5,244
Senior debt	6,660	–	–	6,660
Subordinated debt	5,861	–	–	5,861
Total liabilities	**372,405**	**(12)**	**(436)**	**371,957**
Equity				
Share capital	11	–	–	11
Additional paid-in capital	8,172	–	–	8,172
Net unrealized gains/(losses) on available-for-sale investments	4,523	–	–	4,523
Cash flow hedges	238	–	–	238
Cumulative translation adjustment	(3,022)	–	–	(3,022)
Revaluation reserve	180	–	–	180
Retained earnings	24,391	12	–	24,403
Shareholders' equity	34,494	11	–	34,505
Non-controlling interests	2,368	–	1	2,369
Total equity	**36,862**	**11**	**1**	**36,874**
Total liabilities and equity	**409,267**	**–**	**(435)**	**408,831**

Consolidated financial statements *continued*

2. New accounting standards and amendments to published accounting standards

Standards, amendments and interpretations effective or early adopted as of January 1, 2013 and relevant for the Group's operations

The following amendments to accounting standards and interpretations of standards relevant to the Group have been implemented for the financial year beginning January 1, 2013. The impact of adoption on the Group's Consolidated financial statements is disclosed in table 2.1.

Table 2.1

Standard/interpretation

		Effective date
New standards		
IFRS 10	Consolidated Financial Statements[2]	January 1, 2013
IFRS 11	Joint Arrangements[1]	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities[1]	January 1, 2013
IFRS 13	Fair Value Measurement[3]	January 1, 2013
Amended standards		
IAS 1	Presentation of items of Other Comprehensive Income (OCI)[1]	July 1, 2012
IAS 19	Employee Benefits[4]	January 1, 2013
IAS 27	Separate Financial Statements[1]	January 1, 2013
IAS 28	Investments in Associates and Joint Ventures[1]	January 1, 2013
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]	January 1, 2013

[1] Adoption has no significant impact on the Consolidated financial statements.
[2] Resulted in an immaterial net deconsolidation impact following the additional consolidation of certain structured entities that were previously accounted for as associates and the deconsolidation of silo-structures and funds.
[3] Resulted in a change in the fair value hierarchy disclosures.
[4] Applying a high quality corporate bond rate rather than an expected return on assets rate resulted in approximately USD 9 million lower expenses. Additionally, impact from past service cost is immaterial.

Standards, amendments and interpretations issued that are not yet effective nor yet adopted by the Group

The following standards, amendments and interpretations of existing published standards are not yet effective but are relevant to the Group's operations. The expected impact of these standards, amendments, and interpretations on the Group's Consolidated financial statements are disclosed in table 2.2. In addition to the standards and amendments listed in table 2.2 the Group will also have to incorporate amendments resulting from the IASB annual improvements project, which relate primarily to disclosure enhancements.

Table 2.2

Standard/interpretation

		Effective date
New standards		
IFRS 9	Financial Instruments[2]	Pending
IFRIC 21	Levies[1]	January 1, 2014
Amended standards		
IAS 32	Offsetting Financial Assets and Financial Liabilities[1]	January 1, 2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]	January 1, 2014

[1] Not expected to have a significant impact on the Consolidated financial statements.
[2] The impact on the Consolidated financial statements will be assessed in conjunction with the revised standard IFRS 4 "Insurance Contracts". Changes to the IFRS timetable may impact this approach.

3. Summary of significant accounting policies

The principal 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.

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 which 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 significant intercompany balances, profits and transactions are eliminated in full.

Acquisition transactions with non-controlling interests are accounted for as transactions with parties external to the Group. The effect of transactions with non-controlling interests is recorded in equity if there is no change in control.

Investments in associates where the Group has the ability to exercise significant influence but not control, as well as joint ventures where there is joint control, are accounted for using the equity method. Significant influence is presumed to exist when the Group owns, directly or indirectly, between 20 percent and 50 percent of the voting rights. Under the equity method of accounting, these investments are initially recognized at cost, including attributable goodwill, and adjusted thereafter for post-acquisition changes in the Group's share of the net assets of the investment.

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 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 use a different functional currency, being the currency 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 foreign currency translation adjustment.

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. Foreign currency non-monetary items that are carried at historical cost are translated at historical exchange rates. The resulting foreign currency differences are recorded in income, except for the following:

- when gains or losses on non-monetary items measured at fair value, such as available-for-sale equity securities, are recognized directly in OCI, any foreign currency component included in the gains or losses is also recognized directly in OCI;

- when changes in the fair value of monetary items denominated in foreign currency, such as debt securities, that are classified as available-for-sale, are analyzed between foreign currency translation differences resulting from changes in the amortized cost of the security and other fair value changes in the security. Foreign currency translation differences related to changes in amortized cost are recognized in income, and those related to other changes in fair value are recognized in OCI; and

- foreign currency translation differences arising on monetary items that form part of net investments in foreign operations are included directly in OCI as cumulative foreign currency translation adjustment.

Consolidated financial statements *continued*

c) Insurance contracts and investment contracts with discretionary participating features (DPF)

Classification

Contracts issued under which the Group accepts significant insurance risk and obligations arising from investment contracts with DPF are accounted for as insurance contracts.

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 also reclassified and are accounted for in accordance with the accounting policy to be applied to the new product on a prospective basis. As a consequence, no gain or loss is recognized as a result of the reclassification of a contract from investment to insurance.

Once a contract has been classified as an insurance contract, no reclassification can subsequently be made.

Premiums

General insurance

Premiums from the sale of short-duration general insurance products are recorded when written and normally are accreted to earnings in relation to the insurance coverage provided. The unearned premium reserve represents the portion of the premiums written relating 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 due from the policyholder. For single premium and limited pay contracts, premiums are recognized in income 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 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 are deferred and recognized over the estimated life of the contracts.

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. The Group does not discount its loss reserves, other than for settled claims with fixed payment terms. Any changes in estimates are reflected in the results of operations in the period in which estimates are changed.

Reserves for life benefits

Future life policyholders' 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 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 including 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.

Policyholders' 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.

Where unrealized gains or losses on the revaluation of available-for-sale assets arise they are recorded directly in OCI in accordance with the Group's accounting policy for such assets, with the corresponding adjustments to the reserves for life benefits and related assets 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.

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 coupled with 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 the insurance liabilities using current financial and non-financial assumptions, to better reflect the way that these products are managed. Financial assets relating 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. Certain direct response marketing costs for efforts which solicit a direct response that is specific and quantifiable are also deferred, when it can be demonstrated that such marketing results in future economic benefits.

General insurance

DAC for general insurance contracts is amortized over the period in which the related premiums written are earned.

Life insurance

DAC for traditional participating life insurance contracts is amortized over the life of the contracts 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 using the latest revised interest rate for the remaining benefit period. Resultant 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 over the life of the contracts 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. Resultant 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 testing is 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.

General insurance

For general insurance 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.

Consolidated financial statements *continued*

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 in order 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 incidental to 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 revenue and expense 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 liability associated with the reinsured policy.

Reinsurance assets are assessed for impairment on a regular basis for any events that may trigger impairment. If a reinsurance asset is impaired, the carrying amount of the asset is reduced to its recoverable amount, through the use of an allowance account, and the amount of the impairment loss is recognized in income. If a decrease in the impairment loss can be related objectively to an event occurring after the impairment loss was initially recognized, the impairment loss is reversed through income.

Premiums paid under retroactive contracts are included in reinsurance recoverables in the balance sheet. If the amount of gross liabilities reinsured is higher than the premium paid, reinsurance recoverables are increased by the difference and the resulting gain is deferred and amortized over the expected settlement period. If the amount of gross liabilities reinsured is lower than the premium paid, reinsurance recoverables are reduced by the difference and the resulting loss is recognized in income immediately.

d) Liabilities for investment contracts (without DPF)
Investment contracts are those contracts that transfer no 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, with fair value being determined by reference to the underlying financial assets and 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 costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against the policyholders' account balances are included in policy fee revenue.

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 as income or expense.

Deferred origination costs (DOC)
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, are capitalized and amortized in line with the revenue generated by providing investment management services. DOC is tested for recoverability annually.

e) Investments excluding derivative financial instruments
Investments include financial assets (excluding derivative financial instruments), cash and cash equivalents and real estate held for investment.

Categories and measurement of investments (excluding derivative financial instruments)
Financial assets are classified as available-for-sale, financial assets at fair value through profit or loss, held-to-maturity investments, or loans and receivables.

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.

Available-for-sale financial assets
Available-for-sale financial assets are financial assets that are either designated as such or are not classified in any of the other categories. Available-for-sale financial assets are carried at fair value, with changes in fair value recognized in OCI, until the securities are either sold or impaired.

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 recycled from OCI and recognized in income.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and those irrevocably designated at fair value through profit or loss at inception.

Financial assets irrevocably designated at fair value through profit or loss are mainly financial assets backing unit-linked insurance contracts, unit-linked investment contracts and certain life insurance contracts with participation features. 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 them on a different basis compared to the liabilities.

Financial assets at fair value through profit or loss are carried at fair value. 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.

Held-to-maturity investments
Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables, and for which the Group has the positive intention and ability to hold to maturity.

Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any charges for impairment.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are not classified in any of the other categories.

Loans and receivables are carried at amortized cost using the effective interest rate method, less any charges for impairment.

Other items
Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible into cash and are subject to an insignificant risk of change in fair value, for example, short-term investments with maturities of three months or less from the date of acquisition. Cash and cash equivalents also include cash received as collateral for securities lending. Cash and cash equivalents are stated at face value.

Consolidated financial statements *continued*

Real estate held for investment is initially recorded at cost (including transaction costs) and subsequently measured at fair value with changes in fair value, as well as any realized gain or loss upon disposal, recognized in income.

Impairment of financial assets

General
The Group assesses at each reporting date whether there is objective evidence that loss events occurred that negatively affect the estimated future cash flows of a financial asset or a group of financial assets.

Available-for-sale financial assets
When there is objective evidence that an available-for-sale debt security is impaired, the cumulative loss that had been recognized in OCI is reclassified to income as an impairment loss. If the fair value of a debt security increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through income, up to the amortized cost amount calculated as if no impairment had been recognized at the date of reversal. Any further gains are recognized in OCI. Any subsequent losses, to the extent that they do not represent further impairment losses, are also recognized in OCI.

When there is objective evidence that an available-for-sale equity security is impaired, the cumulative loss that had been recognized directly in OCI, including any portion attributable to foreign currency changes, is reclassified to income as an impairment loss. The impairment loss is the difference between the weighted-average acquisition cost (less any impairment loss on that security previously recognized in income) and the current fair value. Impairment losses on equity securities are not reversed through income, instead, when the fair value of a previously impaired equity security increases, the resulting unrealized gains are recognized in OCI. Any further decrease in fair value subsequent to recognition of an impairment loss is also recognized in income as impairment loss, together with any portion attributable to foreign currency changes, until the equity security is derecognized.

Held-to-maturity investments and loans and receivables
Generally, significant financial assets are individually assessed to determine whether objective evidence of impairment exists. If no objective evidence of impairment exists, the asset is included in a group of financial assets with similar credit risk characteristics that are collectively assessed for impairment.

Objective evidence of impairment exists if it is probable that the Group will not be able to collect principal and/or interest due according to the contractual terms of the instrument. When 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 impairment loss. The impairment allowance of financial assets carried at amortized cost is measured as the difference between the carrying amount of the assets and the present value of estimated future cash flows, calculated using the original effective interest rate, for fixed rate financial assets, or current effective interest rate, for variable rate financial assets. If the amount of the impairment loss decreases and the decrease relates objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through income. The amount of reversal is limited so that it does not result in a carrying amount exceeding the amortized cost that would have been calculated at the date of reversal had an impairment loss not been previously recognized.

f) Derivative financial instruments and hedge accounting

Derivative financial instruments, except those designated under a qualifying hedge relationship are classified as held for trading assets or liabilities and 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 hedge 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 that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss; or

- hedges of a net investment in a foreign operation.

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 in order to determine whether the hedging instruments are expected (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. Where the hedge accounting criteria are fulfilled, the accounting treatment is as follows:

Fair value hedges
The hedged item is remeasured for fair value changes attributable to the risk being hedged and such fair value changes are recognized in the same line item of the consolidated income statement as the offsetting gains or losses from re-measuring the hedging derivatives at fair value through profit or loss.

Cash flow hedges
The effective portion of the gain or loss on the re-measurement of the cash flow hedging instrument is recognized in OCI. The ineffective portion is recognized immediately in income. The accumulated gains and losses on the hedged instrument in OCI are reclassified to income in the same period in which gains or losses on the hedged item are recognized in income.

Net investment hedges
Measurement of hedge effectiveness is based on changes in forward rates. Gains and losses on the designated hedging derivative relating to the effective portion of the hedge are recognized in OCI, whereas the ineffective portion is immediately recognized in income. The accumulated gains and losses in OCI on the hedging instrument are reclassified to income on disposal or partial disposal of the foreign operation.

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 reported independently in accordance with the respective accounting policy.

g) Borrowings
Borrowings (debt issued) are recognized initially at fair value of the consideration received, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in income over the period of the borrowing using the effective interest rate method.

When fair value hedge accounting is applied to borrowings, the carrying values of the borrowings are adjusted for changes in fair value attributable to the risk being hedged.

h) Derecognition of financial assets and liabilities
Financial assets are derecognized when the right to receive cash flows from the assets has expired, or when the Group has transferred its contractual right to receive the cash flows from the financial asset, and either

- substantially all the risks and rewards of ownership have been transferred; or

- substantially all the risks and rewards have not been retained or transferred, but control has been transferred.

Financial liabilities are derecognized when they are extinguished, which is when the obligation is discharged, cancelled or has expired.

Securities lending
Certain entities within the Group participate in securities lending arrangements whereby specific securities are loaned to other institutions, primarily banks and brokerage firms, for short periods of time. Under the terms of the securities lending agreements, the Group retains substantially all the risks and rewards of ownership of these loaned securities, and also retains contractual rights to the cash flows therefrom. These securities are therefore not derecognized from the Group's balance sheet. Cash received as collateral for loaned securities is recorded as an asset, and a corresponding liability is established.

Repurchase and reverse repurchase transactions
Securities sold under agreements to repurchase at a specified later date (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are accounted for as collateralized financing transactions.

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The securities delivered under a repurchase agreement are not derecognized from the balance sheet when all or substantially all of the risk and rewards are retained. The proceeds received are reported as a liability under obligation to repurchase securities. 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 balance sheet, as long as the risk and rewards of ownership have not been transferred to the Group. The cash delivered is derecognized and a corresponding receivable is recorded and reported within receivables and other assets. Interest income is recognized in income using the effective interest rate method over the life of the agreement.

In cases such as events of default by a third party, it may be determined that the risks and rewards of ownership over the collateral have been obtained by the Group. At such point in time, the securities held under the reverse repurchase agreement would be recognized on the balance sheet at fair value and the original receivable as collateral would be derecognized. Any shortfall is recorded as a loss in income.

i) Property and equipment

Buildings held for own use and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss. These assets are depreciated usually on a straight-line basis to income over the following estimated useful lives:

- buildings 25 to 50 years;
- furniture and fixtures five to ten years; and
- computer equipment three to six years.

Land held for own use is carried at cost less any accumulated impairment loss.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets are grouped on a cash generating unit (CGU) level if the recoverable amount cannot be separately determined.

j) Intangible assets

Intangible assets include goodwill, present value of future profits (PVFP) from acquired insurance contracts, attorney-in-fact (AIF) relationships, distribution agreements and other intangible assets, such as computer software licenses and capitalized software development costs.

Intangible assets with finite lives are carried at cost less accumulated amortization and impairments. They are 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.

Intangible assets with indefinite lives are not subject to amortization but are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the cost of acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired entity at the acquisition date.

Goodwill on the acquisition of subsidiaries is capitalized as a separate line and reviewed for impairment annually, or more frequently if impairment indicators are observed. 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 relating to the continuation or disposal of assets and operations. On this basis, for the General Insurance segment, CGUs are aggregated predominantly on the segment level. Within the segments Global Life and Farmers, CGUs are identified at either business unit level or individual reporting entity level.

Goodwill on the acquisition of associates and joint ventures is included in the value of equity method accounted investments and is tested for impairment as part of the overall measurement of the carrying amount of those investments.

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.

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 has a finite life and is amortized over the expected life of the acquired contracts, following the same rules outlined for deferred acquisition costs. The carrying value of the PVFP asset is tested periodically for impairment as part of the liability adequacy test for insurance contracts.

Attorney-in-fact relationships (AIF)

The AIF reflects the ability of the Group to generate future revenues based on the Group's relationship with the Farmers Exchanges, which are managed but not owned by Farmers Group, Inc. (FGI), a wholly owned subsidiary of the Group. In determining that these relationships have an indefinite useful life, the Group considered 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 management services, and the historical AIF between FGI and the Farmers Exchanges. The AIF is reviewed for impairment at least annually.

Distribution agreements

Distribution agreements may have useful lives extending up to 30 years which are estimated based on the period of time over which they are expected to provide economic benefits, but 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 to use the specific software.

The useful lives of computer software licenses and capitalized internal software development costs generally do not exceed five years. In some circumstances, capitalized software development costs may be amortized over a period of up to ten years, taking into account the effects of obsolescence, technology, competition and other economic and legal factors.

k) Provisions, contingent liabilities, commitments and financial guarantees

Provisions, contingent liabilities, commitments and financial guarantees are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of such an obligation. Provisions are discounted when the effect of the time value of money is considered material.

Restructuring provisions comprise employee termination costs and costs related to onerous contracts. Restructuring provisions are recognized when the Group has a present obligation as a result of a detailed formal plan, which has been announced to those affected and the amount can be reasonably estimated.

l) Treasury shares

Zurich Insurance Group Ltd shares held by the Group are classified as treasury shares and are deducted from shareholders' equity, net of transaction costs and tax. The nominal value of treasury shares is deducted from share capital. The difference between the nominal value and the amount paid to acquire the treasury shares, is allocated between additional paid-in capital and retained earnings. No gain or loss is recognized in income on the purchase, sale, issue or cancellation of treasury shares.

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m) Other revenue recognition

Farmers management fees

FGI provides non-claims related management services to the Farmers Exchanges, including 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 management services are primarily determined as a percentage of gross premiums earned by the Farmers Exchanges.

Other fees and commission income

Revenues from investment management and distribution fees are based on contractual fee arrangements applied to assets under management and recognized as earned when the service has been provided. For practical purposes, the Group recognizes these fees on a straight-line basis over the estimated life of the contract.

The Group charges its customers for asset management and other related services using the following approaches:

- Front-end fees charged to the customer at inception are used particularly for single premium contracts. The consideration received is deferred as a liability and recognized over the life of the contract on a straight-line basis.

- 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 as a receivable and are offset against the financial liability when charged to the customer.

n) Net investment income

Net investment income includes investment income earned net of investment expenses incurred.

Investment income

Investment income primarily consists of interest income on debt securities, loans and receivables, dividend income on equity securities, rental income from real estate held for investment and income earned on equity method accounted investments.

For Group investments, interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment is established, which is usually the ex-dividend date.

Rental income from real estate held for investment is recognized on an accrual basis.

Investment expenses

Investment expenses consist of costs relating to investment management services and operating expenses for real estate held for investment. These expenses are recognized on an accrual basis.

o) Employee benefits

Share-based compensation and cash incentive plans

The Group operates long-term incentive plans which comprise the allocation of a target number of shares.

Under the Group's equity-settled share-based compensation plans, the fair value of the employee services received in exchange for the grant is determined by reference to the fair value of the shares previously granted and is recognized as an expense in income over the vesting period, with a corresponding amount recorded in additional paid-in capital.

Non-market vesting conditions (for example, profitability and revenue growth targets) are included in assumptions to determine the number of shares that are expected to be issued. At each balance sheet date, the Group revises its estimates of the number of shares that are expected to be issued. It recognizes the impact of the revision to original estimates, if any, in income with a corresponding adjustment to additional paid-in capital. However, no subsequent adjustment to total additional paid-in capital is made after the vesting date.

The proceeds received when the shares are delivered are credited, net of any directly attributable transaction costs, to share capital (nominal value) and additional paid-in capital.

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 relating to these plans is accrued over the employees' service periods based upon the actuarially determined cost for the period. Actuarial gains and losses are recognized, in full in the period in which they occur, directly in other comprehensive income (OCI). Past service costs, which result from plan amendments and curtailments are recognized in income on the earlier of the date on which the plan amendment or curtailment occurs (which is the date from which the plan change is effective) 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 retirement benefits, the cost of such benefits is accrued over the service period of the employees based on the actuarially determined cost for the period.

p) Leases

Payments made under operating leases (net of any incentives received from the lessor) are normally charged to income on a straight-line basis over the period of the lease.

Finance leases, where the Group is the lessee, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in income. Contingent rents are recognized as expenses in the period in which they are incurred.

q) Income taxes

The Group provides current tax expense according to the tax laws of each jurisdiction in which it operates. Deferred income taxes are recognized using the asset and liability method. Deferred income taxes are recorded for temporary differences, which are based on the difference between financial statement carrying amounts and income tax bases of assets and liabilities using enacted or substantively enacted local tax rates applicable in the respective tax jurisdiction. Deferred tax assets are recognized for taxable losses to the extent it is probable that they can be utilized against future taxable income in the respective jurisdictions.

Current and deferred tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

Taxes payable by either the holding company or its subsidiaries on expected distributions to the holding company of the profits of subsidiaries are not recognized as deferred income taxes unless a distribution of those profits is intended in the foreseeable future.

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. In addition, deferred tax on unrealized gains related to certain investment contracts with DPF is included as income tax expense and an accrual for future policy fees to recover the tax charge is included in gross written premiums as policy fee revenue.

Consolidated financial statements *continued*

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

The Group is required to establish reserves for payment of losses and loss adjustment expenses that arise from the Group's general insurance products and the run-off of its former third party reinsurance operations. 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 general insurance claims and claims from the run-off of its former third party reinsurance operations. 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 automobile and property damage, are normally reported soon after the incident and are generally settled within months following the reported incident. Long-tail claims, such as bodily injury, pollution, asbestos and product liability, can take years to develop and additional time to settle. For long-tail claims, information concerning the event, such as the required medical treatment for bodily injury claims and the measures and costs required 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.

The reserves for future life policyholders' benefits and policyholders' contract deposits and other funds contain a number of assumptions regarding mortality or longevity, lapses, surrenders, expenses and investment returns. These assumptions can vary by country, year of issuance and product 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 policyholders' benefits and policyholders' 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 also 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 client 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 are deferred only to the extent that they are recoverable from future policy income. 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 reserves for insurance contracts and note 12 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 financial debt instruments and equity instruments traded in exchange and OTC markets, the Group makes extensive use of independent, reliable and reputable third party pricing providers and only in rare cases places reliance on prices 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 requesting selective non-binding broker quotes or 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 note 6, 7 and 25 for further information regarding the estimate of fair value.

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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 is not by itself considered a loss event, but rather incorporated in the impairment analysis along with other available information.

The Group defines 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, UK, Switzerland, other European countries and Asia Pacific), 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 relationships (AIF)

Goodwill is allocated to the cash generating units (CGUs) as outlined in note 3. 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 financial budgets, 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, amongst others, estimated perpetual growth rates, which are a reflection of the expected inflation of the geographical areas where 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.

For the General Insurance segment, CGUs are aggregated predominantly on the segment level. Within the Global Life and Farmers segments, CGUs are identified at either business unit level or individual reporting entity level.

The discount rates used in the recoverable amount calculations for developed markets are based on the capital asset pricing model 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 amount of the intangible assets with an indefinite life related to the Farmers segment (i.e. attorney-in-fact (AIF) relationships and goodwill) is determined on the basis of value-in-use calculations. These calculations use cash flow projections based on business plans which are approved by management and typically cover a three-year period. The basis for determining the values assigned to the key assumptions are current market trends and earnings projections.

Table 4.1 sets out the value of goodwill and AIF for the major CGUs, applied discount rates and the perpetual nominal growth rates (PGRs) beyond the projection period which are dependent on country specific growth rate and inflation expectations.

Table 4.1

Discount and perpetual growth rates for goodwill and AIF for major CGUs

	Segment	in USD millions	Discount rates in % 2013	Discount rates in % 2012	Perpetual nominal growth rate in % 2013	Perpetual nominal growth rate in % 2012
Farmers	Farmers	1,845	11.4	8.5	–	–
General Insurance	General Insurance	588	10.6	8.0	2.2	2.1
Global Life Germany	Global Life	272	8.6	6.7	1.9	2.0
Zurich Assurance Ltd and Openwork Holdings Ltd	Global Life	102	7.8	5.9	–	–

Sensitivity tests have been performed on goodwill and AIF, and typically comprised of an analysis for either a decrease in cash flows of up to 30 percent, a decrease in the perpetual growth rate of up to 1.0 percentage point or an increase in the discount rate of up to 3.5 percentage points in order to capture potential future variations in market conditions. Applying the value-in-use methodology, an increase of approximately 1.4 percentage points in the discount rate or a decrease of approximately 1.7 percentage points in the perpetual growth rate of the Global Life Germany CGU would result in the recoverable amount being close to the carrying value. No such reasonably possible changes of key assumptions were identified for the remaining CGUs.

Distribution agreements

The recoverable amount for General Insurance intangible assets reflecting distribution agreements is determined on the basis of value-in-use calculations. These calculations use cash flow projections in line with the terms and conditions of the underlying distribution agreements. For Global Life distribution agreements, the recoverable amount is determined based on projected cash flows derived from the new business calculation and discount rates consistent with the data used for actuarial valuations.

The discount rates used in the recoverable amount calculations for developed markets are based on a capital asset pricing model 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.

Table 4.2 sets out the applied discount rates and the PGR beyond the projection period which are dependent on country specific growth rate and inflation expectations used for the major distribution agreements at the time of valuation.

Table 4.2

Discount and perpetual growth rates by major distribution agreements

	in USD millions	Range of discount rates in % 2013	Range of discount rates in % 2012	Perpetual nominal growth rate in % 2013	Perpetual nominal growth rate in % 2012
Banco Sabadell S.A. entities in Spain	1,697	11.0	9.0	2.0	2.5
Banco Santander S.A. entities in Latin America	1,717	12.6–42.0	7.8–20.1	n/a	n/a

For impairment testing purposes, these distribution agreements are assessed as single assets by counterparty.

Sensitivity tests have been performed on distribution agreements and typically comprised of an analysis for either a decrease in cash flows, a decrease in the perpetual growth rate or an increase in the discount rate, applying reasonably possible changes. An increase of approximately 2.6 percentage points in the discount rate or a decrease of approximately 30 percent in the cash flows of the distribution agreement of the Banco Sabadell S.A. entities would result in the recoverable amount being close to the carrying value. No such reasonably possible changes of key assumptions were identified for the remaining distribution agreements.

See notes 3, 6, 15, 16 and 17 for further information on impairment of assets.

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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 depends on the generation of sufficient taxable profits in the period in which the underlying asset or liability is recovered or settled. 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 19 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 healthcare 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 outflows 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 22 for further information on employee benefits.

5. Acquisitions and divestments

Transactions in 2013

Assets/liabilities held for sale

As of December 31, 2013, a subsidiary of Centre Group Holdings Limited, Centre Insurance Company, which is a general insurance and reinsurance company based in the United States of America, with total assets of USD 100 million and total liabilities of USD 49 million, was classified as held for sale.

Transactions in 2012

Acquisitions

On May 25, 2012, the Group increased its shareholding in Zurich Insurance Company South Africa Limited, a partially owned subsidiary, to 84.05 percent by purchasing a 25.1 percent shareholding from Royal Bafokeng Finance (Pty) Limited (RBF) for a purchase price of approximately USD 75 million. With this purchase of 25.1 percent the Group's controlled interest for the Consolidated financial statements is now in line with its legal ownership. On this date, the put option right granted to RBF in 2010 to sell back its entire shareholding to the Group also ceased to exist.

Divestments and loss of control

The Group lost control over one of its subsidiaries and consequently derecognized the assets and liabilities at their carrying value and recognized its retained investment in this entity as an equity security classified as available-for-sale as of September 30, 2012. A USD 38 million pre-tax loss was recorded within net gain/(loss) on divestments of businesses.

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6. Investments

Total investments includes Group investments and investments for unit-linked products. 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. Investments for unit-linked products include such investments where the policyholder bears the investment risk, and are held for liabilities related to unit-linked investment contracts and reserves for unit-linked insurance contracts. They are managed in accordance with the investment objectives of each unit-linked fund.

Table 6.1a

Net investment result for total investments

in USD millions, for the years ended December 31	Net investment income		Net capital gains/(losses) on investments and impairments		Net investment result	
	2013	2012	**2013**	2012	**2013**	2012
Cash and cash equivalents	43	60	(11)	(4)	32	57
Equity securities	1,734	1,780	12,561	8,903	14,296	10,683
Debt securities	5,082	5,395	65	2,552	5,147	7,947
Real estate held for investment	757	816	272	(331)	1,030	485
Mortgage loans	379	428	(121)	(100)	258	328
Other loans	782	870	298	17	1,079	887
Investments in associates and joint ventures	11	12	1	1	12	13
Derivative financial instruments[1]	–	–	(820)	(463)	(820)	(463)
Investment result, gross	8,788	9,362	12,245	10,574	21,033	19,936
Investment expenses	(831)	(760)	–	–	(831)	(760)
Investment result, net	**7,958**	**8,602**	**12,245**	**10,574**	**20,202**	**19,176**

[1] Net capital losses on derivative financial instruments attributable to cash flow hedge ineffectiveness amounted to USD 9 million and USD 7 million for the years ended December 31, 2013 and 2012, respectively.

Rental operating expenses for real estate held for investment included in investment expenses for total investments amounted to USD 189 million and USD 194 million for the years ended December 31, 2013 and 2012, respectively.

Table 6.1b

Net investment result for Group investments

in USD millions, for the years ended December 31

	Net investment income		Net capital gains/(losses) on investments and impairments		Net investment result	
	2013	2012	**2013**	2012	**2013**	2012
Cash and cash equivalents	34	44	–	1	33	45
Equity securities	244	331	1,499	549	1,743	879
Debt securities	4,790	5,096	188	1,968	4,978	7,064
Real estate held for investment	486	506	186	12	671	517
Mortgage loans	379	428	(121)	(100)	258	328
Other loans	553	617	211	79	764	696
Investments in associates and joint ventures	11	12	1	1	12	13
Derivative financial instruments[1]	–	–	(806)	(307)	(806)	(307)
Investment result, gross, for Group investments	6,496	7,034	1,157	2,201	7,653	9,235
Investment expenses for Group investments	(256)	(252)	–	–	(256)	(252)
Investment result, net, for Group investments	**6,240**	**6,782**	**1,157**	**2,201**	**7,398**	**8,983**

[1] Net capital losses on derivative financial instruments attributable to cash flow hedge ineffectiveness amounted to USD 9 million and USD 7 million for the years ended December 31, 2013 and 2012, respectively.

Impairment charges on Group investments included in net capital gains/(losses) on investments and impairments amounted to USD 201 million and USD 208 million, including impairment charges on mortgage loans and other loans of USD 141 million and USD 114 million, for the years ended December 31, 2013 and 2012, respectively.

Table 6.1c

Net investment result for unit-linked contracts

in USD millions, for the years ended December 31

	Net investment income		Net capital gains/(losses) on investments		Net investment result	
	2013	2012	**2013**	2012	**2013**	2012
Cash and cash equivalents	9	16	(10)	(4)	(1)	12
Equity securities	1,491	1,449	11,062	8,354	12,553	9,803
Debt securities	292	299	(124)	584	168	884
Real estate held for investment	272	310	87	(342)	358	(32)
Other loans	229	253	87	(62)	316	191
Derivative financial instruments	–	–	(14)	(157)	(14)	(157)
Investment result, gross, for unit-linked contracts	2,292	2,327	11,088	8,373	13,380	10,701
Investment expenses for unit-linked contracts	(575)	(508)	–	–	(575)	(508)
Investment result, net, for unit-linked contracts	**1,717**	**1,820**	**11,088**	**8,373**	**12,805**	**10,193**

Table 6.2

Net capital gains, losses and impairments on equity and debt securities for total investments

in USD millions, for the years ended December 31

	Equity securities		Debt securities		Total	
	2013	2012	**2013**	2012	**2013**	2012
Securities at fair value through profit or loss:	11,431	8,596	(508)	924	10,923	9,520
Net capital gains/(losses) on Group investments	368	242	(384)	339	(16)	581
Net capital gains/(losses) for unit-linked contracts	11,062	8,354	(124)	584	10,939	8,938
Available-for-sale securities:	1,131	307	573	1,628	1,704	1,935
Realized capital gains on Group investments	1,292	552	1,008	2,120	2,299	2,672
Realized capital losses on Group investments	(103)	(163)	(433)	(480)	(536)	(643)
Impairments on Group investments	(58)	(82)	(2)	(12)	(60)	(95)
Total net capital gains/(losses) and impairments	**12,561**	**8,903**	**65**	**2,552**	**12,626**	**11,455**

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Table 6.3a

Details of total investments by category

as of December 31	2013		2012	
	USD millions	**% of total**	USD millions	% of total
Cash and cash equivalents	8,162	2.4	10,208	3.1
Equity securities:				
Fair value through profit or loss	115,379	33.8	103,023	30.9
Available-for-sale	9,758	2.9	8,796	2.6
Total equity securities	125,137	36.6	111,819	33.5
Debt securities:				
Fair value through profit or loss	18,725	5.5	20,630	6.2
Available-for-sale	144,723	42.4	141,597	42.5
Held-to-maturity	4,613	1.4	5,012	1.5
Total debt securities	168,061	49.2	167,239	50.1
Real estate held for investment	12,406	3.6	11,962	3.6
Mortgage loans	9,798	2.9	10,519	3.2
Other loans	17,854	5.2	21,664	6.5
Investments in associates and joint ventures	129	0.0	85	0.0
Total investments	**341,547**	**100.0**	**333,496**	**100.0**

Table 6.3b

Details of Group investments by category

as of December 31	2013		2012	
	USD millions	**% of total**	USD millions	% of total
Cash and cash equivalents	7,181	3.5	9,098	4.3
Equity securities:				
Fair value through profit or loss	3,425	1.7	3,545	1.7
Available-for-sale	9,758	4.7	8,796	4.2
Total equity securities	13,183	6.4	12,341	5.9
Debt securities:				
Fair value through profit or loss	7,121	3.4	8,985	4.3
Available-for-sale	144,723	69.8	141,597	67.6
Held-to-maturity	4,613	2.2	5,012	2.4
Total debt securities	156,456	75.5	155,594	74.2
Real estate held for investment	8,745	4.2	8,561	4.1
Mortgage loans	9,798	4.7	10,519	5.0
Other loans	11,789	5.7	13,385	6.4
Investments in associates and joint ventures	129	0.1	85	0.0
Total Group investments	**207,280**	**100.0**	**209,582**	**100.0**

Investments (including cash and cash equivalents) with a carrying value of USD 5,853 million and USD 6,340 million were held to meet local regulatory requirements as of December 31, 2013 and 2012, respectively.

Securities lending, repurchase and reverse repurchase agreements

As of December 31, 2013 and 2012, respectively, investments included USD 9,947 million and USD 7,751 million of loaned securities. These loaned securities were mainly debt securities. Liabilities for cash collateral received for securities lending comprised USD 332 million and USD 330 million as of December 31, 2013 and 2012, respectively. Non-cash collateral received for loaned securities comprised mainly equity and debt securities and amounted to USD 10,474 million and USD 8,085 million as of December 31, 2013 and 2012, respectively. The Group can sell or repledge the collateral only in the event of a default by a counterparty.

As of December 31, 2013 and 2012, respectively, debt securities with a carrying value of USD 1,694 million and USD 1,550 million have been sold to financial institutions under repurchase agreements. These securities continue to be recognized as investments in the Group's consolidated balance sheets. Obligations to repurchase these securities amounted to USD 1,685 million and USD 1,539 million as of December 31, 2013 and 2012, respectively.

The Group retains the rights to the risks and benefits of loaned securities and securities under repurchase agreements. These risks and benefits include changes in market values and income earned.

As of December 31, 2013 and December 31, 2012, respectively, securities with a carrying value of USD 681 million and USD 990 million have been purchased from financial institutions under short-term reverse sale and repurchase agreements. Receivables under these agreements have been recognized in the Group's consolidated balance sheets and amounted to USD 678 million and USD 988 million as of December 31, 2013 and December 31, 2012, respectively.

Details of investments held for unit-linked contracts

Table 6.3c

as of December 31	2013		2012	
	USD millions	**% of total**	USD millions	% of total
Cash and cash equivalents	982	0.7	1,110	0.9
Equity securities	111,954	83.4	99,478	80.3
Debt securities	11,605	8.6	11,646	9.4
Real estate	3,661	2.7	3,401	2.7
Other loans	6,066	4.5	8,279	6.7
Total investments for unit-linked contracts	**134,267**	**100.0**	**123,913**	**100.0**

Investments held under unit-linked investments contracts are classified as securities designated at fair value through profit or loss.

Accrued investment income on unit-linked investments disclosed as accrued investment income amounted to USD 230 million and USD 255 million as of December 31, 2013 and December 31, 2012, respectively.

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Debt securities maturity schedule (total investments)

Table 6.4

in USD millions, as of December 31	Held-to-maturity		Available-for-sale		Fair value through profit or loss	
	2013	2012	**2013**	2012	**2013**	2012
Debt securities:						
< 1 year	424	493	9,744	10,072	4,750	3,890
1 to 5 years	1,957	2,188	47,123	46,027	4,570	5,336
5 to 10 years	904	527	35,632	33,784	3,542	3,740
> 10 years	1,328	1,805	32,971	32,233	5,008	6,677
Subtotal	4,613	5,012	125,470	122,115	17,869	19,642
Mortgage and asset-backed securities:						
< 1 year	–	–	612	540	24	26
1 to 5 years	–	–	4,781	5,358	429	406
5 to 10 years	–	–	2,054	2,175	54	114
> 10 years	–	–	11,806	11,407	349	443
Subtotal	–	–	19,253	19,481	856	988
Total	**4,613**	**5,012**	**144,723**	**141,597**	**18,725**	**20,630**

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.

Available-for-sale securities

Table 6.5

in USD millions, as of December 31	Cost or amortized cost[1]		Gross unrealized gains		Gross unrealized losses		Fair value	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Equity securities								
Common stock	4,711	4,515	1,443	1,841	(282)	(331)	5,872	6,025
Unit trusts	3,422	2,434	390	398	(167)	(247)	3,645	2,584
Non-redeemable preferred stock	197	167	46	21	(3)	(3)	241	186
Total equity securities	**8,331**	**7,117**	**1,878**	**2,259**	**(452)**	**(581)**	**9,758**	**8,796**
Debt securities								
Swiss federal and cantonal governments	4,093	3,925	210	466	(81)	(3)	4,222	4,388
United Kingdom government	7,305	7,566	186	496	(118)	(8)	7,373	8,054
United States government	10,877	10,560	137	340	(334)	(55)	10,680	10,845
Other governments and supra-nationals	39,988	36,226	2,041	2,795	(224)	(350)	41,805	38,672
Corporate securities	58,822	55,792	4,056	5,738	(1,497)	(1,386)	61,380	60,145
Mortgage and asset-backed securities	19,201	18,838	363	730	(311)	(87)	19,253	19,481
Redeemable preferred stocks	7	10	2	2	–	–	9	12
Total debt securities	**140,292**	**132,917**	**6,995**	**10,568**	**(2,564)**	**(1,888)**	**144,723**	**141,597**

[1] Net of impairments (see table 6.2).

Fair value through profit or loss securities

Table 6.6

as of December 31	Group investments				Investments for unit-linked products		Total investments	
	2013	**2013**	2012	2012	**2013**	2012	**2013**	2012
	USD millions	**% of total**	USD millions	% of total	**USD millions**	USD millions	**USD millions**	USD millions
Equity securities:								
Common stock	2,731	25.9	2,204	17.6	41,290	36,936	44,021	39,140
of which: common stock portfolios backing participating with profit policyholder contracts	*558*	*5.3*	*534*	*4.3*	–	–	*558*	*534*
Unit trusts	694	6.6	1,341	10.7	70,617	62,495	71,312	63,836
Non-redeemable preferred stock	–	0.0	–	0.0	46	47	46	47
Total equity securities	**3,425**	**32.5**	**3,545**	**28.3**	**111,954**	**99,478**	**115,379**	**103,023**
Debt securities:								
Debt securities	6,442	61.1	8,221	65.6	11,428	11,421	17,869	19,642
Mortgage and asset-backed securities	679	6.4	763	6.1	177	225	856	988
Total debt securities	**7,121**	**67.5**	**8,985**	**71.7**	**11,605**	**11,646**	**18,725**	**20,630**
Total	**10,546**	**100.0**	**12,530**	**100.0**	**123,558**	**111,124**	**134,104**	**123,654**

Held-to-maturity debt securities

Table 6.7

as of December 31	**2013**	**2013**	2012	2012
	USD millions	**% of total**	USD millions	% of total
Swiss federal and cantonal governments	1,896	41.1	1,847	36.9
United States government	1,303	28.3	1,627	32.5
Other governments and supra-nationals	1,045	22.7	1,168	23.3
Corporate securities	368	8.0	370	7.4
Total held-to-maturity debt securities	**4,613**	**100.0**	**5,012**	**100.0**

Real estate held for investment (total investments)

Table 6.8

in USD millions	Total	
	2013	2012
As of January 1	11,962	12,246
Additions and improvements	794	360
Disposals	(793)	(702)
Market value revaluation	162	(206)
Transfer from assets held for own use	81	–
Transfer to assets held for sale	(87)	(89)
Foreign currency translation effects	287	353
As of December 31	**12,406**	**11,962**

Real estate held for investment consists of investments in commercial, residential and mixed-use properties primarily located in Switzerland, Germany and the UK.

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Net unrealized gains/(losses) on Group investments included in equity

Table 6.9

in USD millions, as of December 31	Total	
	2013	2012
Equity securities: available-for-sale	1,427	1,679
Debt securities: available-for-sale	4,431	8,679
Other	130	300
Gross unrealized gains/(losses) on Group investments	5,988	10,658
Less: amount of unrealized gains/(losses) on investments attributable to:		
Life policyholder dividends and other policyholder liabilities	(2,948)	(3,918)
Life deferred acquisition costs and present value of future profits	(460)	(571)
Deferred income taxes	(738)	(1,385)
Non-controlling interests	(6)	(23)
Total[1]	**1,835**	**4,762**

[1] Net unrealized gains/(losses) on Group Investments include net gains arising on cash flow hedges of USD 106 million and USD 238 million as of December 31, 2013 and 2012, respectively.

7. Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments mainly for economic hedging purposes in order 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 other assets (see note 17) and those with a negative fair value are reported in other liabilities (see note 18).

Table 7.1 shows the fair value and notional amounts for instruments which do not qualify for hedge accounting as of December 31, 2013 and 2012, respectively. Whilst these notional amounts express the extent of the Group's involvement in derivative transactions, they are not, however, representative of amounts at risk. Fair values for derivative financial instruments are included in the consolidated balance sheets in receivables and other assets, and other liabilities.

Table 7.1

Maturity profile of notional amounts and fair values of derivative financial instruments

in USD millions, as of December 31	2013						2012		
	Maturity by notional amount			Notional amounts	Positive fair values	Negative fair values	Notional amounts	Positive fair values	Negative fair values
	< 1 year	1 to 5 years	> 5 years						
Interest rate contracts:									
OTC									
Swaps	950	974	2,840	4,764	175	(178)	5,292	349	(45)
Swaptions[1]	512	3,966	4,037	8,515	177	(234)	9,408	242	(104)
Exchange traded									
Futures	776	–	–	776	1	–	8	–	–
Total interest rate contracts	**2,238**	**4,939**	**6,877**	**14,054**	**353**	**(413)**	**14,709**	**591**	**(148)**
Equity contracts:									
OTC									
Swaps	52	–	–	52	–	(1)	42	–	(2)
Puts	1,768	556	2,331	4,655	99	(62)	9,854	220	(119)
Calls	1,500	517	–	2,017	37	(71)	3,214	62	(81)
Exchange traded									
Puts	10	–	–	10	–	–	49	1	–
Calls	–	–	–	–	–	–	–	–	–
Futures	519	–	–	519	–	(22)	503	1	(3)
Total equity contracts	**3,849**	**1,073**	**2,331**	**7,252**	**137**	**(156)**	**13,663**	**284**	**(206)**
Foreign exchange contracts:									
OTC									
Cross currency swaps	–	–	–	–	–	–	444	–	(45)
Forwards	17,474	–	–	17,474	62	(110)	13,681	45	(84)
Total foreign exchange contracts	**17,474**	**–**	**–**	**17,474**	**62**	**(110)**	**14,124**	**45**	**(129)**
Other contracts:									
OTC									
Puts	–	–	397	397	–	–	93	–	–
Swaps	–	–	64	64	–	(3)	66	–	(11)
Total other contracts	**–**	**–**	**460**	**460**	**–**	**(3)**	**159**	**–**	**(11)**
Total Group derivative financial instruments	23,561	6,012	9,668	39,241	552	(682)	42,656	920	(494)
Total unit-linked derivative financial instruments	1,885	225	–	2,110	45	(4)	2,113	62	(5)
Total	**25,446**	**6,238**	**9,668**	**41,352**	**596**	**(686)**	**44,769**	**982**	**(500)**

[1] Including net settled forward swaptions.

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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 applied and comprise swaps and swaptions.

The decrease in the notional amount between December 31, 2012 and December 31, 2013 was mainly due to reductions in interest rate swaps to hedge a closed book of variable annuities products within the U.S. life business and a decrease in swaptions, to protect European life insurance books against falling interest rates.

Equity contracts

Equity contracts are entered into, either on a portfolio or on a macro level to protect equity investments against a decline in equity market prices or to manage the risk return profile of equity exposures. Most equity contracts are purchased put options.

The decrease in the notional amount of put options between December 31, 2012 and December 31, 2013 was mainly due to matured positions relating to a hedging program. Total return swaps, exchange traded options and futures are relating to the dynamic hedging strategy that has been put in place to reduce the volatility associated with a closed book of variable annuities products within the U.S. life business.

The majority of positions are for hedging purposes. For short positions, call options are used in collar structures to mitigate the hedging costs for some life portfolios and the written put positions are fully backed by long put positions and relate only to legacy positions.

Foreign exchange contracts

Forward contracts are used to hedge the Group's foreign currency exposures and to manage balance sheet mismatches. As of December 31, 2013 there were no open cross currency swap positions.

The increase in notional amounts of foreign exchange forwards between December 31, 2012 and December 31, 2013 was mostly volume driven.

Other contracts

Other contracts predominantly include stable value products (SVPs), which are designed to amortize on a quarterly basis investment gains and losses of the investment portfolios underlying certain life insurance policies, which are owned by banks (Bank Owned Life Insurance or BOLI) and other companies (Company Owned Life Insurance or COLI). The Group monitors the risk of surrender of those life insurance policies on an ongoing basis and considers the likelihood of surrender as an input factor to the model to determine the fair value of the SVPs. The notional SVP derived value was USD 397 million and USD 93 million as of December 31, 2013 and 2012, respectively, representing the total loss before surrender charges in the unlikely event that all policies would have been surrendered on those dates.

In certain circumstances derivative financial instruments may 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.

Table 7.2

Maturity profile of notional amounts and fair values of derivative financial instruments

in USD millions, as of December 31						2013			2012
	Maturity by notional amount			Notional principal amounts	Positive fair values	Negative fair values	Notional principal amounts	Positive fair values	Negative fair values
	< 1 year	1 to 5 years	> 5 years						
Fair value hedges:									
Cross currency interest rate swaps	244	330	–	574	108	–	1,530	252	–
Currency swaps	–	8	62	69	–	(39)	69	–	(40)
Interest rate swaps	–	–	1,699	1,699	15	(6)	1,097	37	–
Total fair value hedges	**244**	**338**	**1,761**	**2,342**	**122**	**(45)**	**2,695**	**288**	**(40)**
Cash flow hedges:									
Options on interest rate swaps	–	949	2,347	3,296	282	–	3,207	438	–
Currency swaps	975	793	–	1,768	166	–	1,768	90	–
Interest rate swaps	15	76	40	132	20	–	159	14	–
Total cash flow hedges	**991**	**1,818**	**2,387**	**5,196**	**468**	**–**	**5,135**	**542**	**–**
Net investment hedges:									
Forwards	275	–	–	275	–	(2)	273	–	(2)
Total net investment hedges	**275**	**–**	**–**	**275**	**–**	**(2)**	**273**	**–**	**(2)**

Fair value hedges

Designated fair value hedges consist of interest rate swaps and cross currency interest rate swaps used to protect the Group against changes in interest rate exposure and foreign currency exposure of Swiss franc, euro and U.S. dollar-denominated debt issued by the Group.

Information on debt issuances designated as hedged items in fair value hedge relationships is set out in note 20.

The Group also has fair value hedge relationships consisting of currency swaps to protect certain non euro-denominated fixed income securities from foreign currency fluctuation.

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.

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Table 7.3 sets out gains and losses arising from fair value hedges:

Gains/(losses) arising from fair value hedges

Table 7.3

in USD millions, as of December 31	**2013**	2012
Gains/(losses)		
on hedging instruments[1]	*(57)*	*20*
on hedged items attributable to the hedged risk	*52*	*(30)*

[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 options on interest rate swaps 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 (during the years 2016, 2021 and 2026) required for certain life insurance policies. The effective portion of the gains and losses on these swaps are initially recognized in other comprehensive income. Subsequently the gains or losses will be recycled to income until December 31, 2036. The gains and losses relating 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 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 other comprehensive income. The effective portion, related to spot rate changes in the fair value of the hedging instrument, is reclassified to income 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.

Information on debt issuances designated as hedged items in cash flow hedge relationships is set out in note 20.

The net gains/(losses) deferred in other comprehensive income on derivative financial instruments designated as cash flow hedges were USD (94) million and USD 32 million before tax for the years ended December 31, 2013 and 2012, respectively.

The portion recognized in income was a gain of USD 86 million and USD 35 million before tax for the years ended December 31, 2013 and 2012, respectively, as an offset to the foreign currency revaluation on the underlying hedged debt.

A loss of USD 9 million and USD 7 million for the years ended December 31, 2013 and 2012, respectively, was recognized in net capital gains/(losses) and impairments due to hedge ineffectiveness.

Net investment hedges

In 2012, the Group started to apply net investment hedge accounting in order to hedge against the effects of changes in exchange rates in its net investments in foreign operations. A net hedge relationship through a foreign exchange forward with a notional amount of USD 275 million and USD 273 million was in place as of December 31, 2013 and 2012, respectively.

Net gains/(losses) deferred in shareholders' equity on net investment hedges were USD 4 million and USD (2) million before tax for the years ended December 31, 2013 and 2012, respectively.

Derivative financial instruments: offsetting of financial assets and liabilities

Tables 7.4 and 7.5 show the net asset and liability position of 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

Derivative financial instruments subject to enforceable master netting arrangements and collateral agreements – current period

in USD millions, as of December 31, 2013	Fair value	Related amounts not offset	Cash collateral (received)/ pledged	Non-cash collateral (received)/ pledged	Net amount
Assets					
Group derivatives	1,142	(216)	(845)	(9)	72
Unit-linked derivatives	45	(1)	(24)	–	20
Total derivative assets	**1,187**	**(217)**	**(868)**	**(9)**	**92**
Liabilities					
Group derivatives	(729)	216	375	7	(132)
Unit-linked derivatives	(4)	1	–	–	(3)
Total derivative liabilities	**(733)**	**217**	**375**	**7**	**(135)**

Table 7.5

Derivative financial instruments subject to enforceable master netting arrangements and collateral agreements – prior period

in USD millions, as of December 31, 2012	Fair value	Related amounts not offset	Cash collateral (received)/ pledged	Non-cash collateral (received)/ pledged	Net amount
Assets					
Group derivatives	1,750	(276)	(1,152)	(13)	309
Unit-linked derivatives	62	–	(47)	–	15
Total derivative assets	**1,813**	**(276)**	**(1,199)**	**(13)**	**324**
Liabilities					
Group derivatives	(537)	276	72	15	(174)
Unit-linked derivatives	(5)	–	–	–	(5)
Total derivative liabilities	**(542)**	**276**	**72**	**15**	**(179)**

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8. Reserves for insurance contracts and reinsurers' share of reserves for insurance contracts

Reserves for insurance contracts

Table 8.1

in USD millions, as of December 31	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
Reserves for losses and loss adjustment expenses	68,312	69,986	(10,993)	(12,601)	57,319	57,385
Reserves for unearned premiums	17,616	17,300	(2,576)	(2,666)	15,040	14,634
Future life policyholders' benefits	84,476	83,807	(2,501)	(2,507)	81,975	81,300
Policyholders' contract deposits and other funds	20,162	20,024	(2,036)	(2,106)	18,126	17,917
Reserves for unit-linked contracts	74,873	74,117	–	–	74,873	74,117
Total reserves for insurance contracts[1]	**265,440**	**265,233**	**(18,107)**	**(19,880)**	**247,333**	**245,353**

[1] The total reserves for insurance contracts ceded are gross of allowances for uncollected amounts of USD 129 million and USD 127 million as of December 31, 2013 and December 31, 2012, respectively.

Development of reserves for losses and loss adjustment expenses

Table 8.2

in USD millions	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
As of January 1	69,986	67,762	(12,601)	(12,421)	57,385	55,341
Losses and loss adjustment expenses incurred:						
Current year	26,936	27,612	(3,050)	(3,273)	23,885	24,340
Prior years	(1,187)	(676)	430	105	(757)	(571)
Total incurred	25,749	26,936	(2,621)	(3,168)	23,128	23,769
Losses and loss adjustment expenses paid:						
Current year	(10,350)	(10,548)	745	694	(9,605)	(9,853)
Prior years	(17,169)	(16,230)	3,370	2,706	(13,799)	(13,525)
Total paid	(27,519)	(26,778)	4,115	3,400	(23,404)	(23,378)
Acquisitions/(divestments) and transfers[1]	(61)	1,217	13	(257)	(49)	960
Foreign currency translation effects	157	849	101	(156)	258	693
As of December 31	**68,312**	**69,986**	**(10,993)**	**(12,601)**	**57,319**	**57,385**

[1] The 2013 net movement includes USD (49) million due to the reclassification of a subsidiary of Centre Group Holdings Limited to held for sale (see note 5). The 2012 net movement includes a transfer of USD 1,224 million from policyholders' contract deposits and other funds, partially offset by USD (235) million relating to a reinsurance agreement which transferred the benefits and risks of some of the Group's general insurance portfolio to RiverStone Insurance (UK) Limited, and by USD (33) million transferred to future life policyholders' benefits (see note 1 of the Consolidated financial statements 2012).

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.

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 information currently available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

Table 8.2 shows the development of reserves for losses and loss adjustment expenses during the years 2013 and 2012.

The decrease of USD 66 million (USD 324 million before the foreign currency translation impact) during the year ended December 31, 2013 in net reserves for losses and loss adjustment expenses is mostly driven by payments on crop and storm Sandy losses in North America. Favorable reserve development arising from reserves established in prior years amounted to USD 757 million during the year ended December 31, 2013, and mainly relates to the following movements by market-facing business, country and line of business:

- The personal and commercial business in Europe reported favorable prior year development of USD 412 million, mostly driven by USD 326 million within motor liability in Switzerland and a reduction of large property claims of USD 46 million within the UK;
- In Global Corporate, favorable development of USD 355 million was driven by lower estimates of large property claims in Switzerland, the UK and Global Energy and lower estimates for the Thai floods.

The increase of USD 2,044 million during the year ended December 31, 2012 in net reserves for losses and loss adjustment expenses was mostly driven by the reclassification of USD 1,224 million transferred from policyholders' contract deposits and other funds to reserves for losses and loss adjustment expenses (see note 1 of the Consolidated financial statements 2012), and the foreign currency impact of USD 693 million. Additionally, USD 571 million of favorable reserve development emerged from reserves established in prior years. Gross of reinsurance, the favorable development was USD 676 million. This favorable development was primarily attributable to the General Insurance business segment and mainly relates to the following movements by market-facing business, country and line of business:

- In Global Corporate, favorable development of USD 199 million was driven by Europe essentially originating from Switzerland, the UK and Ireland. The development occurred mostly in the property and engineering lines of business;
- In North America Commercial, favorable development of USD 203 million arose mostly from medical malpractice, general liability, errors and omissions and the Canadian operations;
- The personal and commercial business in Europe reported favorable prior year development of USD 90 million. The favorable development was driven by USD 435 million in Switzerland, mostly in motor, and USD 96 million in the UK and Ireland, coming from many lines of business. Partially offsetting this, Germany reported an adverse development of USD 476 million arising mainly from the medical and professional liability lines of business.

The Non-Core Businesses segment additionally added to the adverse development.

Consolidated financial statements *continued*

Development of insurance losses, net

Table 8.3

in USD millions, as of December 31	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
Gross reserves for losses and loss adjustment expenses	57,765	60,425	64,535	67,890	65,218	68,126	68,274	67,762	69,986	68,312
Reinsurance recoverable	(14,279)	(14,231)	(13,722)	(13,179)	(12,232)	(12,182)	(12,093)	(12,421)	(12,601)	(10,993)
Initial net reserves for losses and loss adjustment expenses	43,486	46,194	50,814	54,712	52,986	55,944	56,180	55,341	57,385	57,319
Cumulative paid as of December 31:										
One year later	*(9,464)*	*(11,423)*	*(11,237)*	*(12,551)*	*(13,047)*	*(12,716)*	*(13,092)*	*(13,525)*	*(13,799)*	
Two years later	*(16,273)*	*(18,044)*	*(18,362)*	*(19,660)*	*(19,909)*	*(19,821)*	*(21,073)*	*(21,245)*		
Three years later	*(21,234)*	*(23,077)*	*(23,421)*	*(24,428)*	*(24,693)*	*(25,623)*	*(27,137)*			
Four years later	*(24,945)*	*(26,850)*	*(26,839)*	*(27,735)*	*(28,808)*	*(30,127)*				
Five years later	*(27,798)*	*(29,425)*	*(29,224)*	*(30,690)*	*(32,170)*					
Six years later	*(29,810)*	*(31,189)*	*(31,483)*	*(33,310)*						
Seven years later	*(31,148)*	*(33,030)*	*(33,665)*							
Eight years later	*(32,655)*	*(34,896)*								
Nine years later	*(34,267)*									
Cumulative incurred as of December 31:										
One year later	*141*	*(218)*	*(1,219)*	*(1,271)*	*(1,059)*	*(1,378)*	*(1,302)*	*(571)*	*(757)*	
Two years later	*1,520*	*(367)*	*(2,171)*	*(2,152)*	*(2,350)*	*(2,565)*	*(1,819)*	*(891)*		
Three years later	*1,839*	*(897)*	*(2,686)*	*(2,844)*	*(3,048)*	*(2,700)*	*(2,028)*			
Four years later	*1,808*	*(945)*	*(3,003)*	*(3,533)*	*(3,176)*	*(2,770)*				
Five years later	*2,118*	*(1,044)*	*(3,438)*	*(3,580)*	*(3,235)*					
Six years later	*2,194*	*(1,184)*	*(3,279)*	*(3,478)*						
Seven years later	*2,254*	*(841)*	*(3,146)*							
Eight years later	*2,686*	*(681)*								
Nine years later	*2,815*									
Net reserves re-estimated as of December 31:										
One year later	*43,627*	*45,976*	*49,594*	*53,441*	*51,927*	*54,565*	*54,878*	*54,770*	56,628	
Two years later	*45,006*	*45,827*	*48,642*	*52,559*	*50,637*	*53,379*	*54,361*	*54,450*		
Three years later	*45,325*	*45,297*	*48,127*	*51,868*	*49,939*	*53,243*	*54,152*			
Four years later	*45,294*	*45,249*	*47,811*	*51,179*	*49,810*	*53,173*				
Five years later	*45,604*	*45,150*	*47,376*	*51,131*	*49,752*					
Six years later	*45,680*	*45,010*	*47,535*	*51,234*						
Seven years later	*45,740*	*45,353*	*47,668*							
Eight years later	*46,172*	*45,513*								
Nine years later	*46,301*									
Cumulative (deficiency)/ redundancy of net reserves	(2,815)	681	3,146	3,478	3,235	2,770	2,028	891	757	
Cumulative (deficiency)/ redundancy as a percentage of initial net reserves	(6.5%)	1.5%	6.2%	6.4%	6.1%	5.0%	3.6%	1.6%	1.3%	
Gross reserves re-estimated as of December 31, 2013	61,784	60,425	60,893	63,365	60,921	63,984	65,472	66,413	68,799	
Cumulative (deficiency)/ redundancy of gross reserves	(4,019)	–	3,642	4,525	4,297	4,143	2,802	1,349	1,187	
Cumulative (deficiency)/ redundancy as a percentage of initial gross reserves	(7.0%)	0.0%	5.6%	6.7%	6.6%	6.1%	4.1%	2.0%	1.7%	

Table 8.3 presents changes in the historical non-life reserves, net of reinsurance, that the Group established in 2004 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 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, 2013. It is the difference between the initial net reserve estimate and the last entry of the diagonal. 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 8.3.

Development of reserves for losses and loss adjustment expenses for asbestos

Table 8.4

in USD millions	2013		2012	
	Gross	**Net**	Gross	Net
Asbestos				
As of January 1	3,332	2,779	3,283	2,867
Losses and loss adjustment expenses incurred	47	53	51	37
Losses and loss adjustment expenses paid	(267)	(104)	(134)	(110)
Acquisitions/(divestments) and transfers[1]	–	–	–	(127)
Foreign currency translation effects	41	41	132	112
As of December 31	**3,154**	**2,768**	**3,332**	**2,779**

[1] The 2012 net movement relates to a reinsurance agreement which transferred the benefits and risks of some of the Group's general insurance portfolio to RiverStone Insurance (UK) Limited.

The Group has considered asbestos and environmental, including latent injury, claims and claims expenses in establishing the reserves for losses and loss adjustment expenses. The Group continues to be advised of claims asserting injuries from toxic waste, hazardous materials and other environmental pollutants, alleged damages to cover the clean-up costs of hazardous waste dump sites relating to policies written in prior years and 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. 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 relating to standard lines of business.

Reserves for asbestos claims decreased by USD 178 million gross and USD 10 million net during 2013. The decrease in the gross reserve primarily relates to the transfer of a general insurance portfolio to RiverStone Insurance (UK) Limited, amounting to USD 152 million.

In 2012, following an in-depth review of asbestos, pollution and health (APH) book of business in the U.S., gross and net reserves were strengthened. Despite these increases, the total net reserves have decreased due to a reinsurance agreement which transferred the benefits and risks of a general insurance portfolio to RiverStone Insurance (UK) Limited.

While the Group believes that it has made adequate provision for these claims, it is possible that future adverse development could have a material effect on the Group's results of operations, cash flows and financial position. The net reserve amounts relating to such claims are not discounted for the time value of money.

Consolidated financial statements *continued*

Development of future life policyholders' benefits

Table 8.5

in USD millions	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
As of January 1	83,807	80,584	(2,507)	(2,583)	81,300	78,001
Premiums	8,972	8,867	(580)	(541)	8,392	8,326
Claims	(10,334)	(9,168)	453	414	(9,880)	(8,754)
Fee income and other expenses	(1,898)	(1,789)	176	182	(1,722)	(1,608)
Interest and bonuses credited to policyholders	2,017	2,649	(8)	(75)	2,009	2,575
Changes in assumptions	(64)	(147)	9	155	(55)	8
Acquisitions/(divestments) and transfers[1]	–	1,065	–	(14)	–	1,051
(Decreases)/increases recorded in other comprehensive income	(122)	167	–	–	(122)	167
Foreign currency translation effects	2,098	1,579	(45)	(45)	2,053	1,534
As of December 31	**84,476**	**83,807**	**(2,501)**	**(2,507)**	**81,975**	**81,300**

[1] The 2012 net movement includes USD 937 million transferred from reserves for unearned premiums, USD 66 million transferred from policyholders' contract deposits and other funds, USD 33 million transferred from loss reserves (see note 1 of the Consolidated financial statements 2012) and USD 15 million from the acquisition of Zurich Insurance Malaysia Berhad (ZIMB, see note 5 of the Consolidated financial statements 2012).

Long-duration contract liabilities included in future life policyholders' benefits result primarily from traditional participating and non-participating life insurance products. Short-duration contract liabilities are primarily accident and health insurance products.

The amount of policyholder dividends to be paid is determined annually by each life insurance subsidiary. Policyholder dividends include life policyholders' 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 relating to future policyholders' benefits and policyholders' 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.

The net impact of changes in assumptions on net future life policyholders' benefits by type of assumption is shown in table 8.6.

Effect of changes in assumptions for future life policyholders' benefits

Table 8.6

in USD millions, for the years ended December 31	2013	2012
Interest rates	(134)	223
Investment return	37	(51)
Changes in modeling	27	(58)
Expense	(5)	(75)
Morbidity	–	(1)
Longevity	(5)	(4)
Lapses	22	(7)
Legislative Changes	–	88
Other	2	(108)
Net impact of changes in assumptions	**(55)**	**8**

Policyholders' contract deposits and other funds gross

Table 8.7

in USD millions, as of December 31	2013	2012
Universal life and other contracts	12,833	12,219
Policyholder dividends	7,329	7,804
Total	**20,162**	**20,024**

Development of policyholders' contract deposits and other funds

Table 8.8

in USD millions	Gross		Ceded		Net	
	2013	2012	2013	2012	2013	2012
As of January 1	20,024	18,356	(2,106)	(2,181)	17,917	16,175
Premiums	1,371	1,157	(66)	(27)	1,305	1,131
Claims	(1,527)	(1,269)	228	211	(1,299)	(1,058)
Fee income and other expenses	(285)	(230)	(12)	(60)	(297)	(290)
Interest and bonuses credited to policyholders	1,217	708	(80)	(81)	1,137	627
Acquisitions/(divestments) and transfers[1]	–	(1,308)	–	32	–	(1,276)
(Decrease)/increase recorded in other comprehensive income	(1,041)	2,313	–	–	(1,041)	2,313
Foreign currency translation effects	403	296	–	(1)	403	296
As of December 31	**20,162**	**20,024**	**(2,036)**	**(2,106)**	**18,126**	**17,917**

[1] The 2012 net movement includes USD (1,224) million transferred to loss reserves and loss adjustment expenses and USD (66) million transferred to future life policyholders' benefits (see note 1 of the Consolidated financial statements 2012).

Consolidated financial statements *continued*

Development of reserves for unit-linked contracts

Table 8.9

in USD millions	2013	2012
As of January 1	74,117	68,844
Premiums	6,541	11,064
Claims	(10,221)	(11,434)
Fee income and other expenses	(1,885)	(1,586)
Interest and bonuses credited/(charged) to policyholders	6,444	6,270
Acquisitions/(divestments) and transfers[1]	–	154
Foreign currency translation effects	(123)	804
As of December 31	**74,873**	**74,117**

[1] The 2012 movement includes USD 151 million transferred from liabilities for investment contracts (see note 1 of the Consolidated financial statements 2012).

9. Liabilities for investment contracts

Liabilities for investment contracts

Table 9.1 in USD millions, as of December 31	2013	2012
Liabilities related to unit-linked investment contracts	59,469	50,229
Liabilities related to investment contracts (amortized cost)	1,030	1,305
Liabilities related to investment contracts with DPF	6,614	5,903
Total	**67,113**	**57,437**

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	2013	2012
As of January 1	57,437	50,309
Premiums	8,276	7,278
Claims	(6,499)	(6,294)
Fee income and other expenses	(594)	(607)
Interest and bonuses credited/(charged) to policyholders	6,800	4,906
Acquisitions/(divestments) and transfers[1]	–	(150)
Increase/(decrease) recorded in other comprehensive income	94	4
Foreign currency translation effects	1,598	1,991
As of December 31	**67,113**	**57,437**

[1] The 2012 movement includes USD (151) million transferred to reserves for unit-linked contracts (see note 1 of the Consolidated financial statements 2012).

10. Equity component relating to contracts with DPF

Certain investment and insurance contracts sold 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 of undeclared funds surplus is included in other comprehensive income. Mandated allocations related to unrealized results and earnings are included in policyholder liabilities and, upon declaration, discretionary bonuses are allocated to policyholders. The changes in table 10 represent the increase or decrease in unallocated gains and retained earnings after charging discretionary bonuses to policyholder liabilities.

Development of the equity component relating to contracts with DPF

Table 10 in USD millions	2013	2012
As of January 1	2,560	1,488
Net unrealized gains/(losses) on investments	(196)	557
Current period profit/(loss)	(96)	476
Foreign currency translation effects	70	39
As of December 31	**2,338**	**2,560**

Consolidated financial statements *continued*

11. Gross and ceded insurance revenues and expenses

Insurance benefits and losses

Table 11.1

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
Losses and loss adjustment expenses	25,749	26,936	(2,621)	(3,168)	23,128	23,769
Life insurance death and other benefits	9,507	10,334	(437)	(351)	9,070	9,983
Total insurance benefits and losses	**35,256**	**37,271**	**(3,058)**	**(3,519)**	**32,198**	**33,752**

Policyholder dividends and participation in profits

Table 11.2

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
Change in policyholders' contract deposits and other funds	1,185	1,210	–	(19)	1,185	1,190
Change in reserves for unit-linked products	6,290	6,153	–	–	6,290	6,153
Change in liabilities for investment contracts – unit-linked	6,605	4,091	–	–	6,605	4,091
Change in liabilities for investment contracts – other	218	233	–	–	218	233
Change in unit-linked liabilities related to UK capital gains tax	(352)	(264)	–	–	(352)	(264)
Total policyholder dividends and participation in profits	**13,946**	**11,424**	**–**	**(19)**	**13,946**	**11,405**

Underwriting and policy acquisition costs

Table 11.3

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
Amortization of deferred acquisition costs	6,415	6,484	(456)	(536)	5,959	5,948
Amortization of deferred origination costs	125	168	–	–	125	168
Commissions and other underwriting and acquisition expenses[1]	4,323	4,283	(366)	(384)	3,957	3,898
Total underwriting and policy acquisition costs	**10,863**	**10,934**	**(822)**	**(920)**	**10,041**	**10,014**

[1] Net of additions related to deferred acquisition and origination costs.

Change in reserves for unearned premiums

Table 11.4

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
Change in reserves for unearned premiums	**971**	**845**	**54**	**(103)**	**1,025**	**741**

12. Deferred policy acquisition costs and deferred origination costs

Development of deferred policy acquisition costs

Table 12.1

in USD millions	General Insurance		Global Life		Other segments[1]		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
As of January 1	3,543	3,482	14,466	13,584	337	353	18,346	17,420
Acquisition costs deferred	3,460	3,355	2,243	2,656	833	898	6,537	6,908
Amortization	(3,141)	(3,240)	(1,882)	(1,744)	(847)	(914)	(5,871)	(5,898)
Impairments	–	(39)	(88)	(11)	–	–	(88)	(50)
Amortization (charged)/credited to other comprehensive income	–	–	102	(314)	–	–	102	(314)
Acquisitions/(divestments) and transfers[2]	–	(3)	(313)	(5)	–	–	(313)	(8)
Foreign currency translation effects	(68)	(13)	79	301	–	–	11	288
As of December 31	**3,794**	**3,543**	**14,606**	**14,466**	**323**	**337**	**18,724**	**18,346**

[1] Net of eliminations from inter-segment transactions.
[2] The 2013 Global Life movement relates to a transfer to deferred front-end fees of USD (438) million and a transfer from receivables and other assets of USD 126 million (see note 1). The 2012 movement includes USD 5 million transferred to deferred origination costs in Global Life (see note 1 of the Consolidated financial statements 2012) and USD 3 million in General Insurance mainly as a consequence of the loss of control over one of the Group's subsidiaries (see note 5).

As of December 31, 2013 and 2012, deferred policy acquisition costs related to non-controlling interests were USD 614 million and USD 572 million, respectively.

The decision to stop offering life products through tied agents in Hong Kong triggered a reassessment of the recoverability of deferred policy acquisition costs, resulting in a USD 54 million impairment in 2013. The net impact on the Group is USD 30 million, including an impairment of deferred origination costs and the acceleration of the recognition of deferred front-end fees of USD 4 million and USD 27 million, respectively. An additional impairment of USD 34 million resulted from a reassessment of deferred policy acquisition costs in the Global Life business in Germany. Impairments in 2012 included USD 39 million, following a reassessment of the deferred policy acquisition costs in the General Insurance business in Germany.

Development of deferred origination costs

Table 12.2

in USD millions	**2013**	2012
As of January 1	770	824
Origination costs deferred	63	79
Amortization	(121)	(168)
Impairments	(4)	–
Acquisitions/(divestments) and transfers[1]	–	5
Foreign currency translation effects	16	29
As of December 31	**724**	**770**

[1] The 2012 movement relates to USD 5 million transferred from deferred policy acquisition costs (see note 1 of the Consolidated financial statements 2012).

Consolidated financial statements *continued*

13. Expenses

Table 13 shows expenses by functional area and by type of expense.

Table 13

Expenses

in USD millions, for the years ended December 31	**2013**	2012
Administrative and other operating expense	8,804	8,654
Other underwriting and policy acquisition expenses[1]	1,020	1,020
Net unallocated loss adjustment expenses[2]	1,725	1,711
Other investment expenses for Group investments[3]	125	132
Total	**11,674**	**11,517**
of which:		
Personnel and other related expenses	6,017	6,021
Amortization and impairments of intangible assets	1,011	874
Depreciation and impairments of property and equipment	186	210
Building and infrastructure expenses	582	614
Brand and marketing expenses	473	438
Life recurring commission	380	365
Asset and other non-income taxes	150	131
IT expenses	1,182	1,165
Restructuring costs	40	210
External professional services expenses	896	982
Foreign currency translation	38	(4)
Other	718	512
Total	**11,674**	**11,517**

[1] Included within commissions and other underwriting and acquisition expenses (see table 11.3).
[2] Included within losses and loss adjustment expenses (see table 11.1).
[3] Excludes expenses arising from rental of real estate held for investment within investment expenses for Group investments (see table 6.1b).

14. Farmers management fees and other related revenues

Farmers management fees and other related revenues

Table 14

in USD millions, for the years ended December 31	2013	2012
Farmers management fees and other related revenues	**2,810**	**2,846**

Farmers Group, Inc. and its subsidiaries (FGI) through its attorney-in-fact (AIF) relationship with the Farmers Exchanges, which are owned by their policyholders and managed by Farmers Group, Inc., a wholly owned subsidiary of the Group, is contractually permitted to receive a management fee of 20 percent (25 percent in the case of the Fire Insurance Exchange) of the gross premiums earned by the Farmers Exchanges.

FGI has historically charged a lower management fee than the amount allowed by contract. 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 18,757 million and USD 18,703 million for the years ended December 31, 2013 and 2012, respectively.

Consolidated financial statements *continued*

15. Property and equipment

Property and equipment – current period

Table 15.1

in USD millions	Land held for own use	Buildings held for own use	Furniture and fixtures	Computer equipment	Other equipment	Total
Gross carrying value as of January 1, 2013	320	1,060	506	520	645	3,050
Less: accumulated depreciation/impairments	(7)	(378)	(348)	(442)	(346)	(1,520)
Net carrying value as of January 1, 2013	313	682	158	79	299	1,530
Additions and improvements	54	38	46	31	113	282
Disposals	(5)	(14)	(7)	(2)	(34)	(62)
Transfers	(19)	(63)	(14)	1	14	(81)
Depreciation and impairments	–	(39)	(33)	(35)	(79)	(186)
Foreign currency translation effects	5	11	(2)	(3)	–	12
Net carrying value as of December 31, 2013	**347**	**614**	**149**	**71**	**314**	**1,494**
Plus: accumulated depreciation/impairments	7	407	258	394	426	1,492
Gross carrying value as of December 31, 2013	**354**	**1,020**	**407**	**465**	**739**	**2,986**

Property and equipment – prior period

Table 15.2

in USD millions	Land held for own use	Buildings held for own use	Furniture and fixtures	Computer equipment	Other equipment	Total
Gross carrying value as of January 1, 2012	325	1,057	575	559	694	3,210
Less: accumulated depreciation/impairments	–	(348)	(423)	(464)	(395)	(1,630)
Net carrying value January 1, 2012	325	709	152	95	299	1,580
Additions and improvements	–	15	39	35	137	226
Disposals	(5)	(21)	(7)	(7)	(42)	(82)
Transfers	(7)	(3)	15	–	(15)	(9)
Depreciation and impairments	(7)	(33)	(43)	(44)	(84)	(210)
Foreign currency translation effects	7	15	1	–	3	26
Net carrying value as of December 31, 2012	**313**	**682**	**158**	**79**	**299**	**1,530**
Plus: accumulated depreciation/impairments	7	378	348	442	346	1,520
Gross carrying value as of December 31, 2012	**320**	**1,060**	**506**	**520**	**645**	**3,050**

The fire insurance value of the Group's own-use property and equipment totaled USD 2,919 million and USD 3,036 million as of December 31, 2013 and 2012, respectively.

16. Goodwill and other intangible assets

Intangible assets – current period

Table 16.1

in USD millions	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other	Total
Gross carrying value as of January 1, 2013	2,239	2,890	4,435	1,025	4,418	219	15,226
Less: accumulated amortization/impairments	(132)	(2,047)	(620)	–	(2,747)	(125)	(5,671)
Net carrying value as of January 1, 2013	2,107	844	3,815	1,025	1,670	94	9,555
Additions and transfers	–	–	36	–	433	–	469
Divestments and transfers	–	–	–	–	(2)	–	(3)
Amortization	–	(139)	(188)	–	(399)	(10)	(736)
Amortization charged to other comprehensive income	–	22	–	–	–	–	22
Impairments	(209)	–	–	–	(65)	(2)	(275)
Foreign currency translation effects	(46)	2	(111)	–	4	(1)	(152)
Net carrying value as of December 31, 2013	**1,852**	**729**	**3,553**	**1,025**	**1,640**	**81**	**8,880**
Plus: accumulated amortization/impairments	338	2,189	811	–	3,080	145	6,563
Gross carrying value as of December 31, 2013	**2,190**	**2,918**	**4,364**	**1,025**	**4,720**	**226**	**15,443**

As of December 31, 2013, intangible assets relating to non-controlling interests were USD 163 million for the present value of future profits (PVFP) of acquired insurance contracts, USD 1,660 million for distribution agreements and USD 12 million for software.

In 2013, following a review of the Russian retail business, the Group decided to manage the retail business in Russia on a stand-alone basis and separately from the General Insurance CGU. On this basis, the Group reassessed the recoverability of the Russian goodwill of USD 209 million and concluded that it was fully impaired.

Additions of USD 36 million related to new distribution agreements entered into by Global Life in the Middle East, and by General Insurance and Global Life in Brazil.

Following the revised Global Life strategy, certain IT assets will no longer be required, and therefore resulted in an impairment of USD 37 million. Additionally, a review of existing IT platforms in General Insurance in Latin America identified software, which was not utilized as originally expected, resulting in a USD 21 million impairment.

Intangible assets by segment – current period

Table 16.2

in USD millions, as of December 31, 2013	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other	Total
General Insurance	588	–	683	–	616	70	1,956
Global Life	445	729	2,870	–	413	11	4,468
Farmers	819	–	–	1,025	343	–	2,187
Other Operating Businesses	–	–	–	–	268	–	268
Net carrying value as of December 31, 2013	**1,852**	**729**	**3,553**	**1,025**	**1,640**	**81**	**8,880**

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Table 16.3

Intangible assets – prior period

in USD millions	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other	Total
Gross carrying value as of January 1, 2012	2,186	2,824	4,562	1,025	4,210	190	14,997
Less: accumulated amortization/impairments	(126)	(1,640)	(430)	–	(2,593)	(86)	(4,876)
Net carrying value as of January 1, 2012	2,060	1,184	4,132	1,025	1,616	104	10,121
Additions and transfers	22	–	36	–	482	–	539
Divestments and transfers	(1)	–	(137)	–	(4)	–	(143)
Amortization	–	(205)	(213)	–	(392)	(13)	(822)
Amortization charged to other comprehensive income	–	(149)	–	–	–	–	(149)
Impairments	–	–	–	–	(51)	(1)	(52)
Foreign currency translation effects	27	13	(3)	–	19	3	59
Net carrying value as of December 31, 2012	**2,107**	**844**	**3,815**	**1,025**	**1,670**	**94**	**9,555**
Plus: accumulated amortization/impairments	132	2,047	620	–	2,747	125	5,671
Gross carrying value as of December 31, 2012	**2,239**	**2,890**	**4,435**	**1,025**	**4,418**	**219**	**15,226**

As of December 31, 2012, intangible assets relating to non-controlling interests were USD 201 million for the present value of future profits (PVFP) of acquired insurance contracts, USD 1,789 million for distribution agreements and USD 11 million for software.

Additions to goodwill of USD 14 million related to the acquisition of Zurich Insurance Malaysia Berhad (ZIMB) in 2011, resulting from an increase in the anticipated purchase price adjustment and finalization of the purchase accounting (see note 5 of the Consolidated financial statements 2012) and an increase of USD 8 million relating to the increase of an earn out liability in Brazil.

New distribution agreements in General Insurance operations in Brazil, to gain access to the mass consumer market, and in Global Life operations in the Middle East, resulted in additions of USD 36 million.

The loss of control over one of the Group's subsidiaries resulted in the derecognition of the related assets and liabilities, including a goodwill asset of USD 1 million and USD 137 million of distribution agreements (see note 5).

Table 16.4

Intangible assets by segment – prior period

in USD millions, as of December 31, 2012	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other	Total
General Insurance	852	–	713	–	586	76	2,227
Global Life	435	844	3,102	–	403	17	4,801
Farmers	819	–	–	1,025	382	–	2,226
Other Operating Businesses	–	–	–	–	300	–	300
Non-Core Businesses	–	–	–	–	1	–	1
Net carrying value as of December 31, 2012	**2,107**	**844**	**3,815**	**1,025**	**1,670**	**94**	**9,555**

17. Receivables and other assets

Receivables and other assets

Table 17

in USD millions, as of December 31	2013	2012
Financial assets		
Derivative assets	1,187	1,813
Receivables from policyholders	3,711	3,514
Receivables from insurance companies, agents and intermediaries	5,506	5,884
Receivables arising from ceded reinsurance	1,094	1,117
Reverse repurchase agreements	678	988
Amounts due from investment brokers	758	493
Other receivables	2,238	1,974
Allowance for impairments[1]	(297)	(327)
Other assets[2]	768	135
Non-financial assets		
Current tax receivables	1,084	1,198
Accrued premiums	731	688
Prepaid expenses	319	277
Prepaid insurance benefits	344	333
Other assets	377	340
Total receivables and other assets	**18,499**	**18,425**

[1] Allowance for impairments includes USD 45 million and USD 79 million as of December 31, 2013 and 2012, respectively, for receivables arising from ceded reinsurance.
[2] December 31, 2013 included investments managed on a fiduciary and ring-fenced basis on behalf of Banco Santander S.A. amounting to USD 603 million, carried at fair value through profit or loss.

Receivables are carried at notional amounts, and are generally settled within one year. The notional and fair value amounts do not vary significantly.

18. Other liabilities

Other liabilities

Table 18.1

in USD millions, as of December 31	2013	2012
Other financial liabilities		
Derivative liabilities	733	542
Amounts due to policyholders	923	761
Amounts due to insurance companies, agents and intermediaries	1,437	1,360
Amounts due to reinsurers	1,226	1,398
Liabilities for cash collateral received for securities lending	332	330
Amounts due to investment brokers	1,068	1,334
Deposits from banking activities	344	672
Collateralized bank financing for structured lease vehicles	796	860
Liabilities for defined benefit plans	3,665	3,399
Other liabilities for employee benefit plans	123	108
Other liabilities	4,043	4,594
Other non-financial liabilities		
Current tax payables	1,246	1,101
Restructuring provisions	188	297
Premium prepayments and other advances	973	916
Other liabilities	806	694
Total other liabilities	**17,904**	**18,368**

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Table 18.2 shows the maturity schedule of other financial liabilities as of December 31, 2013 and 2012, respectively.

Table 18.2

Maturity schedule – other financial liabilities[1]

in USD millions, as of December 31	2013 Carrying value[2]	2013 Undiscounted cash flows[3]	2012 Carrying value[2]	2012 Undiscounted cash flows[3]
< 1 year	8,687	8,734	9,674	9,717
1 to 2 years	175	240	151	176
2 to 3 years	209	256	172	204
3 to 4 years	176	225	220	265
4 to 5 years	76	116	177	241
> 5 years	1,703	2,434	1,566	2,159
Total	**11,026**	**12,005**	**11,960**	**12,762**

[1] Excluding liabilities for defined benefit plans.
[2] Allocation to the time bands is based on the expected maturity date.
[3] Based on the earliest contractual maturity.

Table 18.3

Restructuring provisions

in USD millions	2013	2012
As of January 1	297	254
Provisions made during the period	62	174
Increase of provisions set up in prior years	34	43
Provisions used during the period	(154)	(170)
Provisions reversed during the period	(55)	(6)
Foreign currency translation effects	5	5
As of December 31	**188**	**297**

During the year ended December 31, 2013, restructuring programs with estimated costs of USD 62 million were announced and primarily impacted General Insurance in Middle East and Africa, Global Life in the UK and Ireland as well as Farmers. USD 34 million related to increases of provisions for restructuring which were initiated in prior years. In addition, the Group recorded USD 37 million of software impairments (see note 16), and USD 30 million for impairments of deferred policy acquisition costs and deferred origination costs, net of deferred front-end fees (see note 12), resulting from restructuring decisions.

During the year ended December 31, 2012, restructuring programs primarily impacted several European countries within the General Insurance and Global Life operations with estimated costs of USD 174 million for restructuring programs announced in 2012 and USD 43 million for increases of provisions for restructuring which had been initiated in prior years. In addition, software impairments amounting to USD 11 million were made as part of the restructuring decisions of Global Life operations.

19. Income taxes

Income tax expense – current/deferred split

Table 19.1 in USD millions, for the years ended December 31	2013	2012
Current	1,474	1,033
Deferred	227	463
Total income tax expense	**1,701**	**1,496**

Income tax expense – policyholder/shareholder attribution

Table 19.2 in USD millions, for the years ended December 31	2013	2012
Total income tax expense/(benefit) attributable to policyholders	285	194
Total income tax expense attributable to shareholders	1,415	1,302
Total income tax expense	**1,701**	**1,496**

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.

Expected and actual income tax expense

Table 19.3 in USD millions, for the years ended December 31	Rate	2013	Rate	2012
Net income before income taxes		5,960		5,472
less: income tax (expense)/benefit attributable to policyholders		(285)		(194)
Net income before income taxes attributable to shareholders		5,674		5,277
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	22.0%	1,248	22.0%	1,161
Increase/(reduction) in taxes resulting from:				
Tax rate differential in foreign jurisdictions		*158*		*238*
Tax exempt and lower taxed income		*(107)*		*(133)*
Non-deductible expenses		*78*		*85*
Tax losses previously unrecognized or no longer recognized		*40*		*(12)*
Prior year adjustments and other		*(2)*		*(37)*
Actual income tax expense attributable to shareholders	**24.9%**	**1,415**	**24.7%**	**1,302**
plus: income tax expense/(benefit) attributable to policyholders		285		194
Actual income tax expense	28.5%	1,701	27.3%	1,496

Table 19.3 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 22.0 percent, which is the rate applicable in the jurisdiction where the ultimate parent company is resident.

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Current tax receivables and payables

Table 19.4

in USD millions, as of December 31	**2013**	2012
Current tax receivables	1,084	1,198
Current tax payables	(1,246)	(1,101)
Net current tax receivables/(payables)	**(162)**	**96**

Deferred tax assets and liabilities

Table 19.5

in USD millions, as of December 31	**2013**	2012
Deferred tax assets	2,020	1,853
Deferred tax liabilities	(5,110)	(5,244)
Net deferred tax liabilities	**(3,090)**	**(3,390)**

Development of net deferred tax liabilities

Table 19.6

in USD millions	**2013**	2012
As of January 1	(3,390)	(2,502)
Net change recognized in the income statement	(227)	(463)
Net change recognized in equity	555	(407)
Net changes due to acquisitions/(divestments)	–	44
Foreign currency translation effects	(28)	(64)
As of December 31	**(3,090)**	**(3,390)**

The net deferred tax liabilities relating to non-controlling interests amounted to USD 531 million and USD 577 million as of December 31, 2013 and 2012, respectively.

Deferred taxes – policyholder/shareholder attribution

Table 19.7

in USD millions, as of December 31	**2013**	2012
Net deferred tax liabilities attributable to policyholders	(586)	(321)
Net deferred tax liabilities attributable to shareholders	(2,504)	(3,070)
Net deferred tax liabilities	**(3,090)**	**(3,390)**

Deferred tax assets/(liabilities) analysis by source

Table 19.8

in USD millions, as of December 31	2013 Assets	2013 Liabilities	2012 Assets	2012 Liabilities
Gross deferred tax				
Deferred acquisition and origination costs	20	(773)	35	(677)
Depreciable and amortizable assets	49	(65)	45	(63)
Life policyholders' benefits and deposits[1]	32	(13)	13	(15)
Unrealized (gains)/losses on available-for-sale investments and cash flow hedges	368	(443)	251	(511)
Accruals and deferred income	185	(1)	158	(1)
Reserves for losses and loss adjustment expenses	614	(192)	434	(132)
Reserves for unearned premiums	728	(37)	765	(59)
Pensions and other employee benefits	604	–	544	–
Other assets/liabilities	620	(96)	785	(89)
Tax loss carryforwards	572	–	484	–
Gross deferred tax assets/(liabilities) before valuation allowance	3,791	(1,621)	3,514	(1,549)
Valuation allowance	(150)	–	(112)	–
Gross deferred tax assets/(liabilities) after valuation allowance	3,641	(1,621)	3,403	(1,549)
Deferred tax assets	**2,020**		**1,853**	
Deferred acquisition and origination costs	90	(2,560)	89	(2,662)
Depreciable and amortizable assets	373	(2,566)	247	(2,585)
Life policyholders' benefits and deposits[1]	1,229	(940)	1,162	(961)
Unrealized (gains)/losses on available-for-sale investments and cash flow hedges	172	(888)	209	(1,364)
Accruals and deferred income	112	(136)	116	(94)
Reserves for losses and loss adjustment expenses	159	(111)	149	(82)
Reserves for unearned premiums	46	(84)	50	(72)
Deferred front-end fees	551	–	616	–
Pensions and other employee benefits	369	(42)	482	(40)
Other assets/liabilities	605	(1,549)	744	(1,363)
Tax loss carryforwards	77	–	127	–
Gross deferred tax assets/(liabilities) before valuation allowance	3,784	(8,876)	3,992	(9,224)
Valuation allowance	(18)	–	(12)	–
Gross deferred tax assets/(liabilities) after valuation allowance	3,766	(8,876)	3,980	(9,224)
Deferred tax liabilities		**(5,110)**		**(5,244)**
Net deferred tax liabilities		**(3,090)**		**(3,390)**

[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 19.8 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, 2013 and 2012, 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 20 billion and USD 22 billion, respectively. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

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Tax losses carryforwards and tax credits

Table 19.9

in USD millions, as of December 31	**2013**	2012
For which deferred tax assets have been recognized, expiring		
< 5 years	71	105
5 to 20 years	344	622
> 20 years or with no time limitation	1,395	1,002
Subtotal	1,810	1,729
For which deferred tax assets have not been recognized, expiring		
5 to 20 years	127	102
> 20 years or with no time limitation	658	629
Subtotal	795	731
Total	**2,604**	**2,460**

The tax rates applicable to tax losses for which a deferred tax asset has not been recognized are 18.3 percent and 18.6 percent for the years 2013 and 2012, 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 that the carrying values of the deferred tax assets as of December 31, 2013, are recoverable.

20. Senior and subordinated debt

Senior and subordinated debt

Table 20.1

in USD millions, as of December 31		2013	2012
Senior debt			
Zurich Insurance Company Ltd	3.75% CHF 500 million notes, due September 2013[5]	–	545
	2.25% CHF 500 million notes, due July 2017[5]	559	543
	2.375% CHF 525 million notes, due November 2018[5]	585	568
	1.50% CHF 400 million notes, due June 2019[4,5,6]	443	440
	1.125% CHF 400 million notes, due September 2019[4,5,6]	450	–
	2.875% CHF 250 million notes, due July 2021[5]	277	269
	3.375% EUR 500 million notes, due June 2022[4,5,6]	687	682
	1.875% CHF 100 million notes, due September 2023[4,5,6]	112	–
Zurich Finance (Luxembourg) S.A.	3.25% USD 750 million notes, due September 2013[4,5,6]	–	757
Zurich Finance (USA), Inc.	USD 400 million Euro Commercial Paper Notes, due in less than 1 year	400	400
	4.50% EUR 1 billion notes, due September 2014[1,5,6]	1,384	1,333
	6.50% EUR 600 million notes, due October 2015[2,5,6]	825	790
Zurich Santander Insurance America S.L.	7.5% EUR 152 million loan, due December 2035	210	220
Other	Various debt instruments	113	113
Senior debt		6,044	6,660
Subordinated debt			
Zurich Insurance Company Ltd	12.0% EUR 143 million perpetual capital notes, first callable July 2014[5]	197	188
	4.25% CHF 700 million perpetual notes, first callable May 2016[5]	780	756
	8.25% USD 500 million perpetual capital notes, first callable January 2018[5]	496	495
	4.625% CHF 500 million perpetual notes, first callable May 2018[5]	555	539
	7.5% EUR 425 million notes, due July 2039, first callable July 2019[5]	582	557
	4.25% EUR 1 billion notes, due October 2043, first callable October 2023[5]	1,360	–
Zurich Finance (UK) plc	6.625% GBP 450 million perpetual notes, first callable October 2022[3,5]	737	723
Zurich Finance (USA), Inc.	5.75% EUR 500 million notes, due October 2023, first callable October 2013[5]	–	652
	4.5% EUR 269 million notes, due June 2025, first callable June 2015[4,5,6]	385	705
ZFS Finance (USA) Trust II	Series II 6.45% USD 700 million Trust Preferred Securities (ECAPS), due December 2065, first callable June 2016	677	676
ZFS Finance (USA) Trust V	Series V 6.5% USD 1 billion Trust Preferred Securities, due May 2067, first callable May 2017	498	498
Other	Various debt instruments	74	73
Subordinated debt		6,342	5,861
Total senior and subordinated debt		**12,386**	**12,521**

1 The bond is part of a qualifying cash flow hedge (80 percent of the total) and fair value hedge (20 percent of the total).
2 The bond is part of a qualifying cash flow hedge (100 percent).
3 The holders of these notes benefit from the Replacement Capital Covenant which states that if Series V Fixed/Floating Trust Preferred Securities, issued by ZFS Finance (USA) Trust V, are called before 2047, the Group will issue a replacement debt instrument with terms and provisions that will be as or more equity-like than the replaced notes.
4 These bonds are part of qualifying fair value hedges (100 percent).
5 Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).
6 The Group applied the cash flow hedge methodology to hedge the foreign currency exposure and deferred the attributable basis spreads in shareholders' equity, whereas the fair value hedge methodology was used to hedge the interest rate exposure with changes in the fair value being recorded through the income statement.

None of the debt instruments listed in table 20.1 were in default as of December 31, 2013 or 2012.

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To facilitate the issuance of debt, the Group has in place a Euro Medium Term Note Programme (EMTN Programme) allowing for the issuance of senior and subordinated notes up to a maximum of USD 18 billion. All issuances under this programme are either issued or guaranteed by Zurich Insurance Company Ltd. The Group has also issued debt instruments outside this programme.

i) Senior debt

Senior debt amounted to USD 6,044 million and USD 6,660 million as of December 31, 2013 and December 31, 2012, respectively.

The decrease was due to the maturities in September 2013 of 3.75% CHF 500 million notes and 3.25% USD 750 million notes issued by Zurich Insurance Company Ltd and Zurich Finance (Luxembourg) S.A., respectively. This decrease was partially offset by the placement of 6 and 10-year notes for a combined amount of CHF 500 million in September 2013, issued by Zurich Insurance Company Ltd under the Group's EMTN Programme. The coupon for the 6-year tranche was set at 1.125% and at 1.875% for the 10-year tranche. The remaining increase was due to the translation effects of the U.S. dollar against the currencies in which the notes were issued.

ii) Subordinated debt

Subordinated debt securities are obligations of the Group which, in case of liquidation of the Group, rank junior to all present and future senior indebtedness and certain other obligations of the Group.

Subordinated debt amounted to USD 6,342 million and USD 5,861 million as of December 31, 2013 and December 31, 2012, respectively.

The increase is mainly the result of the total of 4.25% EUR 1 billion notes due 2043 issued in March and July 2013 by Zurich Insurance Company Ltd under the Group's EMTN Programme. Simultaneously with this new issuance, investors who held Zurich Finance (USA), Inc. 4.5% EUR 500 million subordinated notes due June 2025, were made an offer to switch part or all of their holdings against this new issue and, with regard to the notes issued in July 2013, were offered to deliver notes against cash. The total nominal of EUR 231 million of the Zurich Finance (USA), Inc. notes were cancelled. A further decrease was due to the early repayment of the 5.75% EUR 500 million notes due October 2023 issued by Zurich Finance (USA), Inc. on the first call date in October 2013. The remaining increase was due to the translation effects of the U.S. dollar against the currencies in which the notes were issued.

Operational and financial debt

Table 20.2

Indebtedness

in USD millions, as of December 31	Senior debt		Subordinated debt		Total	
	2013	2012	**2013**	2012	**2013**	2012
Operational debt	72[2]	829[1, 2]	28[2]	28[2]	100	857
Financial debt	5,972	5,831	6,314	5,833	12,286	11,664
Total	**6,044**	**6,660**	**6,342**	**5,861**	**12,386**	**12,521**

[1] Operational senior debt included USD 750 million in senior debt issued under the Group's EMTN Programme by Zurich Finance (Luxembourg) S.A. in September 2009, which was loaned directly to the Group's banking activities, matured in September 2013. This issue had been recognized as operational debt by Moody's but not by Standard & Poor's.
[2] Operational senior and subordinated debt included USD 100 million for non-recourse debt.

Description and features of significant subordinated debt

Table 20.3

Description	Coupon conditions	Call/ redemption date
12.00% EUR 143 million perpetual capital notes	12.00% payable annually up to July 15, 2014 and then reset quarterly to 3-month EURIBOR plus 10.33%.	Quarterly on or after July 15, 2014
4.5% EUR 269 million notes, due June 2025	4.5% payable annually up to June 15, 2015 and then reset quarterly to 3-month EURIBOR plus 2.20%.	Quarterly on or after June 15, 2015
4.25% CHF 700 million perpetual notes	4.25% payable annually up to May 26, 2016 and then reset quarterly to 3-month CHF-Libor plus 3.046%.	Quarterly on or after May 26, 2016
Series II 6.45% USD 700 million Fixed/Adjustable Trust Preferred Securities (ECAPS), due December 2065	6.45% payable semi-annually until June 15, 2016 and then reset quarterly to the adjustable rate plus 2.00%.[2]	Quarterly on or after June 15, 2016
Series V 6.5% USD 1 billion Fixed/Floating Trust Preferred Securities, due May 2067	6.5% payable semi-annually until May 9, 2017 and then reset quarterly to 3-month LIBOR plus 2.285%.	Quarterly on or after May 9, 2017
8.25% USD 500 million perpetual capital notes	8.25% per annum payable quarterly until January 18, 2018. Resets to the 6-Year USD mid swap rate plus 6.84% until January 18, 2024. Resets thereafter every 6 years to the 6-Year USD mid swap rate plus 7.84%.	Quarterly on or after January 18, 2018
4.625% CHF 500 million perpetual notes	4.625% payable annually up to May 16, 2018 and then reset to the prevailing 7 year CHF mid swap rate plus 2.691%.	Annually on or after May 16, 2018
7.5% EUR 425 million notes, due July 2039	7.5% payable annually up to July 24, 2019 and then reset quarterly to 3-month EURIBOR plus 5.85%.	Quarterly on or after July 24, 2019
6.625% GBP 450 million perpetual notes	6.625% payable annually up to October 2, 2022 and then reset every 5 years to the reset rate of interest plus 2.85%.[1]	Every five years on or after October 2, 2022
4.25% EUR 1 billion notes, due October 2043	4.25% payable annually up to October 02, 2023 and then reset quarterly to 3-month EURIBOR plus 3.45%.	Quarterly on or after October 2, 2023

[1] Reset rate of interest is equal to the gross redemption yield on the benchmark five-year gilt as determined by the calculation bank.
[2] Adjustable rate is equal to the higher of (i) the 3-month LIBOR Rate; (ii) the 10-year Treasury CMT (Constant Maturity Treasury) Rate; and (iii) the 30-year Treasury CMT Rate, subject to a maximum under (ii) and (iii) of 13% for Series II.

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Maturity schedule of outstanding debt

Table 20.4

in USD millions, as of December 31	2013		2012	
	Carrying value	**Undiscounted cash flows**	Carrying value	Undiscounted cash flows
< 1 year	1,796	2,411	1,702	2,299
1 to 2 years	949	1,446	1,356	1,907
2 to 3 years	–	458	902	1,371
3 to 4 years	559	987	–	429
4 to 5 years	613	1,024	543	934
5 to 10 years	2,729	4,529	2,705	4,340
> 10 years	5,741	8,568	5,313	7,418
Total	**12,386**	**19,422**	**12,521**	**18,698**

Debt maturities reflect original contractual dates without taking early redemption options into account. For call/redemption dates, see table 20.3. The total notional amount of debt due in each period is not materially different from the total carrying value disclosed in table 20.4. Undiscounted cash flows include interest and principal cash flows on debt outstanding as of December 31, 2013 and 2012. All debt is assumed to mature within 20 years of the balance sheet date without refinancing. Floating interest rates are assumed to remain constant as of December 31, 2013 and 2012. The aggregated cash flows are translated into U.S. dollars at end-of-period rates.

Interest expense on debt

Table 20.5

in USD millions, for the years ended December 31	2013	2012
Senior debt	200	221
Subordinated debt	386	348
Total	**586**	**570**

The lower interest expense on senior debt was mainly due to the maturity of the 4.875% EUR 800 million notes in April 2012. This reduction was partially offset by the issuance of two new senior notes under the EMTN Programme in June 2012.

The increase in the interest expense on subordinated debt was mainly due to the issuance of 4.25% EUR 1 billion notes in March and July 2013. This was partially offset by the reduction in 4.5% EUR 500 million notes as investors could switch part or all of their holdings against the new issue or, with regard to the notes issued in July 2013, against cash. A further reduction resulted from the repayment of 5.875% USD 500 million Trust Preferred Securities in June 2012.

Credit facilities

The Group has access to a multicurrency revolving credit facility of USD 3.2 billion that terminates in 2018 at the latest. It is guaranteed by Zurich Insurance Company Ltd.

In addition, the Group has access to four other revolving credit facilities totaling USD 441 million, of which USD 366 million will expire in 2014 and USD 75 million in 2015. No borrowings were outstanding under any of these facilities as of December 31, 2013 or 2012.

21. Shareholders' equity

Share capital

Table 21.1

	Share capital in CHF	Number of shares	Par value in CHF
Issued share capital			
As of December 31, 2011	14,738,582	147,385,822	0.10
New shares issued from contingent capital in 2012	91,430	914,301	0.10
As of December 31, 2012	14,830,012	148,300,123	0.10
New shares issued from contingent capital in 2013	60,310	603,099	0.10
As of December 31, 2013	14,890,322	148,903,222	0.10
Authorized, contingent and issued share capital			
As of December 31, 2012	17,129,526	171,295,259	0.10
As of December 31, 2013	17,129,526	171,295,259	0.10

a) Issued share capital

The issued share capital of Zurich Insurance Group Ltd as of December 31, 2013 amounts to CHF 14,890,322.20, divided into 148,903,222 fully paid registered shares with a nominal value of CHF 0.10 each.

b) Authorized share capital

Until March 29, 2014, the Board of Zurich Insurance Group Ltd is authorized to increase the share capital by an amount not exceeding CHF 1,000,000 by issuing up to 10,000,000 fully paid registered shares with a nominal value of CHF 0.10 each. 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 pre-emptive 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 pre-emptive rights which have not been exercised, or it may place these rights as well as shares, the pre-emptive rights of which have not been exercised, at market conditions.

The Board is further authorized to restrict or withdraw the pre-emptive rights of shareholders and to allocate them to third parties if the shares are to be used for the take-over of an enterprise, or parts of an enterprise or of participations or if issuing shares for 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.

c) Contingent share capital

Capital market instruments and option rights to shareholders

The share capital of Zurich Insurance Group Ltd may be increased by an amount not exceeding CHF 1,000,000 by the issuance of up to 10,000,000 fully paid registered shares with a nominal value of CHF 0.10 each (i) by exercising conversion and/or option rights which are granted in connection with the issuance of bonds or similar debt instruments by Zurich Insurance Group Ltd or one of its Group companies in national or international capital markets; and/or (ii) by exercising option rights which are granted to current shareholders. When issuing bonds or similar debt instruments connected with conversion and/or option rights, the pre-emptive rights of the shareholders will be excluded. The current owners of conversion and/or option rights 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 bonds or similar debt instruments connected with conversion and/or option rights, to restrict or withdraw the right of shareholders for advance subscription in cases where such bonds are issued for the financing or re-financing of a takeover of an enterprise, of parts of an enterprise, or of participations. If the right for advance subscription is withdrawn by the Board, the convertible bond or warrant issues are to be offered at market conditions (including standard dilution protection provisions in accordance with market practice) and the new shares are issued at the then current convertible bond or warrant issue conditions.

The conversion rights are exercisable during a maximum period of ten years and option rights for a maximum period of seven years from the time of the respective issue. The conversion or option price or its calculation methodology shall be determined in accordance with market conditions whereby, for shares of Zurich Insurance Group Ltd, the quoted share price is to be used as a basis.

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Employee participation

During 2013 and 2012, 603,099 shares and 914,301 shares, respectively, were issued to employees from contingent share capital as outlined in note 23. As a result, on December 31, 2013 and 2012, respectively, the remaining contingent share capital, which can be issued to employees of Zurich Insurance Group Ltd and its subsidiaries, amounted to CHF 239,203.70 and CHF 299,513.60 or 2,392,037 and 2,995,136 fully paid registered shares, respectively, with a nominal value of CHF 0.10 each. Pre-emptive rights of the shareholders, as well as the right for advance subscription, are excluded. The issuance of shares or respective option rights to employees is subject to one or more regulations to be issued by the Board of Directors and takes into account performance, functions, levels of responsibility and criteria of profitability. Shares or option rights may be issued to employees at a price lower than that quoted on the stock exchange.

d) 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 a so called 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.

e) Treasury shares

Treasury shares

Table 21.2

number of shares, as of December 31	2013	2012
Treasury shares	1,320,652	1,348,395

Treasury shares comprise shares acquired in the market, primarily held to cover employee share and share option plans.

f) Earnings per share

Earnings per share

Table 21.3

for the years ended December 31	Net income attributable to shareholders (in USD millions)	Weighted average number of shares	Per share (USD)	Per share (CHF)[1]
2013				
Basic earnings per share	**4,028**	**147,404,623**	**27.33**	**25.33**
Effect of potentially dilutive shares related to share-based compensation plans		568,876	(0.11)	(0.10)
Diluted earnings per share	**4,028**	**147,973,499**	**27.22**	**25.23**
2012				
Basic earnings per share	**3,887**	**146,641,273**	**26.50**	**24.84**
Effect of potentially dilutive shares related to share-based compensation plans		728,444	(0.13)	(0.12)
Diluted earnings per share	**3,887**	**147,369,717**	**26.37**	**24.72**

[1] The translation from USD to CHF is shown for information purposes only and has been calculated at the Group's average exchange rates for the years ended December 31, 2013 and 2012, respectively.

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 and preferred securities. Diluted earnings per share reflects the effect of potentially dilutive shares.

22. Employee benefits

The Group had 55,102 and 55,312 employees (full-time equivalents) as of December 31, 2013 and 2012, respectively. Personnel and other related costs incurred for the years ended December 31, 2013 and 2012, were USD 6,054 million and USD 6,100 million, including wages and salaries of USD 4,803 million and USD 4,861 million, respectively.

The Group operates a number of retirement benefit arrangements for employees, with the majority of employees belonging to defined benefit plans. Other employees participate in 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.

Governance of the Group's pension and post-employment benefit plans is the responsibility of the Group Pensions Committee, a technical committee to the Board. The Group Pensions Committee provides oversight and guidance over the costs and risks of the Group's overall benefits policy. This includes oversight of the impact of the Group's principal defined benefit pension and post retirement benefit plans on the Group in terms of cash, expense, and balance sheet accounting impact and capital implications by the development and maintenance of policies on funding, asset allocation and assumption setting.

The Group's policy on funding and asset allocation is subject to local legal and regulatory requirements and tax efficiency.

a) Defined benefit plans

Employees of the Group's companies are covered by various pension plans, the largest of which are 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 together with additional cash credits in line with the rules of the plan. Eligibility for participation in the various plans is either immediate on commencement of employment or based on completion of a specified period of continuous service.

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. In these cases, the annual funding requirements are determined in accordance with the Group's overall funding policy and local regulation. Independent actuarial valuations for the plans are performed as required. It is the Group's general principle to ensure that the plans are appropriately funded in accordance with local pension regulations in each country.

The pension plans typically expose the company to actuarial risks such as interest rate, price inflation, longevity and salary risks. To the extent the pension plans are funded, the assets held mitigate some of the liability risk but introduce investment risk.

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 of 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,

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also taking into account local pension laws. The investment strategies aim to mitigate asset-liability mismatches in the long run.

For post-employment defined benefit plans, total contributions to funded plans and benefits paid directly by the Group were USD 491 million for 2013 compared with USD 491 million for 2012. The estimated total for 2014 is USD 523 million (actual amount may differ), not taking into account the plan amendment becoming effective January 1, 2014, as outlined in Swiss pension plans.

Swiss pension plans

The Group has two pension plans in Switzerland both of which provide benefits that exceed the minimum benefit requirements under Swiss pension law. The plans provide a lifetime pension to members 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. 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 plans' Foundation Board which is responsible for the governance of the plans. The amount of pension payable on retirement is a result of the conversion rate applied on the accumulated balance of the individual participant's pension account at the retirement date. Although the Swiss plan operates like a defined contribution plan under local regulations, it is accounted for as a defined benefit plan under IAS 19 "Employee Benefits", because of the need to accrue interest on the pension accounts and the payment of a lifetime pension at a fixed conversion rate under the plan rules.

Actuarial valuations are completed regularly and if the plans become 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 plans are sufficiently funded, meaning that it is not expected for additional contributions into the plans to be required in the next year. The investment strategy of the Swiss plans is constrained by Swiss pension law including regulations relating to diversification of plan assets. Under IAS 19, volatility arises in the Swiss pension plan net liability 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.

Effective January 1, 2014, following a plan amendment, the fixed annuity conversion rates will be revised downwards to reflect the migration of the plan's technical basis to a revised interest rate expectation and new mortality tables resulting in a curtailment gain. This change will be phased in over a period of four years. It has also been agreed that the two pension plans will be merged into a single plan at the end of 2014 or beginning of 2015.

UK pension plan

The major UK pension plan is a final salary plan and accrued benefits 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, who instead can participate in a defined contribution section within the same trust. The notes that follow consider only the defined benefit sections. There is a UK Pension Trustee Board, which 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 valuation was carried out during 2013 and the results are yet to be finalized. In the event of any under-funding, the sponsoring company must agree a deficit recovery plan with the Trustee Board within the statutory deadlines. 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 and a portion are invested in inflation-linked debt securities, to provide a partial hedge against inflation. The Trustees have also implemented an interest rate swap contract which will provide partial protection against volatility in interest rates.

U.S. pension plans

There are two major pension plans in the U.S., the Zurich North America (ZNA) plan and the Farmers Group, Inc. pension (the Farmers Group) plan. These are both cash balance pension plans funded entirely by the Group. The ZNA plan is entirely cash balance and the Farmers Group plan provides benefits on a cash balance pension formula for benefits accruing after January 1, 2009, except with respect to certain grandfathered participants. A final average pay defined benefit formula applied for benefits accrued before 2009, and for the grandfathered participants. For both cash balance plans, an amount is credited to the cash balance plan 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 earned on the account balance is 5 percent. The retirement account is available from age 65, or age 55 with five years' service. The benefit can be taken as a monthly annuity or a lump sum. Both the ZNA plan and the Farmers Group plan have fiduciaries as required under local pension laws. The fiduciaries are responsible for the governance of the plans. Actuarial valuations are completed regularly and the Group has historically elected to make contributions to the plans to maintain a funding ratio of at least 90 percent as valued under local pension regulations. The annual employer contributions are equal to the present value of benefits accrued each year, plus a rolling amortization of any prior underfunding.

German pension plans

There are a number of legacy defined benefit plans in Germany, most of which were set up under works council agreements. In 2007, a contractual trust arrangement was set up to support all pension commitments of the employing companies in Germany. No contributions or assets have been added to the contractual trust arrangements since 2007. A separate arrangement was also established in 2007 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. There is currently no plan to pay any further contributions to the contractual trust arrangement.

These defined benefit plans provide benefits on either a final salary, career average salary or a cash balance basis. These plans are now closed to new entrants, who instead participate in a new cash balance arrangement, which has the characteristics of a defined contribution arrangement with 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 22.1a and 22.1b set out the reconciliation of the defined benefit obligation and plan assets for the total of the Group's post-employment defined benefit plans.

Table 22.1a

Movement in defined benefit obligation and fair value of assets – current period

in USD millions	Defined benefit obligation	Fair Value Assets	Asset ceiling	Net defined benefit asset/ (liability)
As of January 1, 2013	**(19,668)**	**16,268**	**–**	**(3,400)**
Net post-employment benefit (expense)/income:				
Current service cost	(370)	–	–	(370)
Interest (expense)/income	(701)	575	–	(126)
Past service (cost)/credit	19	–	–	19
Net post-employment benefit (expense)/income	**(1,052)**	**575**	**–**	**(477)**
Remeasurement effects included in other comprehensive income:				
Return on plan assets excluding interest income	–	(31)	–	(31)
Experience gains/(losses)	101	–	–	101
Actuarial gains/(losses) arising from changes in demographic assumptions	(70)	–	–	(70)
Actuarial gains/(losses) arising from changes in financial assumptions	(182)	–	–	(182)
Remeasurement effects included in other comprehensive income	**(151)**	**(31)**	**–**	**(182)**
Employer contributions	–	458	–	458
Employer contributions paid to meet benefits directly	40	–	–	40
Plan participants' contributions	(53)	53	–	–
Payments from the plan	648	(648)	–	–
Foreign currency translation effects	(449)	344	–	(105)
As of December 31, 2013	**(20,685)**	**17,020**	**–**	**(3,666)**

Table 22.1b

Movement in defined benefit obligation and fair value of assets – prior period

in USD millions	Defined benefit obligation	Fair Value Assets	Asset ceiling	Net defined benefit asset/ (liability)
As of January 1, 2012	**(17,780)**	**14,901**	**(3)**	**(2,882)**
Net post-employment benefit (expense)/income:				
Current service cost	(344)	–	–	(344)
Interest (expense)/income	(753)	629	–	(124)
Settlements	254	(211)	–	43
Past service (cost)/credit	(11)	–	–	(11)
Net post-employment benefit (expense)/income	**(854)**	**418**	**–**	**(436)**
Remeasurement effects included in other comprehensive income:				
Return on plan assets excluding interest income	–	596	–	596
Experience gains/(losses)	(127)	–	–	(127)
Actuarial gains/(losses) arising from changes in demographic assumptions	(5)	–	–	(5)
Actuarial gains/(losses) arising from changes in financial assumptions	(955)	–	–	(955)
Change in asset ceiling	–	–	3	3
Remeasurement effects included in other comprehensive income	**(1,087)**	**596**	**3**	**(488)**
Employer contributions	–	452	–	452
Employer contributions paid to meet benefits directly	51	–	–	51
Plan participants' contributions	(50)	50	–	–
Payments from the plan	628	(628)	–	–
Foreign currency translation effects	(576)	479	–	(97)
As of December 31, 2012	**(19,668)**	**16,268**	**–**	**(3,400)**

Net post-employment benefit (expense)/income is recognized in other employee benefits, which are included in 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 in other comprehensive income.

Table 22.2 provides a breakdown of plan assets by asset class.

Table 22.2

Fair value of assets held in post-employment defined benefit plans

in USD millions, as of December 31	**2013**				2012			
	Quoted in active markets[1]	**Other[2]**	**Total**	**% of Total**	Quoted in active markets[1]	Other[2]	Total	% of Total
Mortgage loans	–	424	424	2%	–	444	444	3%
Cash and cash equivalents	164	–	164	1%	182	–	182	1%
Equity securities	3,735	52	3,787	22%	3,645	51	3,696	23%
Debt securities	–	11,656	11,656	68%	–	11,002	11,002	68%
Real estate	–	983	983	6%	–	938	938	6%
Other assets[3]	–	7	7	–	–	7	7	–
Total	**3,898**	**13,122**	**17,020**	**100%**	**3,826**	**12,442**	**16,268**	**100%**

[1] Level 1 assets (see note 25)
[2] Level 2 and 3 assets (see note 25)
[3] UK annuity policies

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As a matter of policy, pension plan investment guidelines do not permit investment in any assets in which the Group or its subsidiaries have an interest, including shares or other financial instruments issued and real estate held for own use.

Tables 22.3a and 22.3b provide a breakdown of the key information included in tables 22.1a and 22.1b for the main countries for the years ended December 31, 2013 and 2012 respectively.

Table 22.3a

Key information by main country – current period

as of December 31, 2013	Switzerland	United Kingdom	United States	Germany	Other	Total
Defined benefit obligation	(4,935)	(10,250)	(3,047)	(1,277)	(1,177)	(20,685)
Fair value of plan assets	4,501	8,243	2,311	1,017	948	17,020
Net defined benefit asset/(liability)	**(433)**	**(2,007)**	**(736)**	**(260)**	**(229)**	**(3,666)**
Net post-employment benefit (expense)/income	(134)	(150)	(138)	(25)	(30)	(477)

Table 22.3b

Key information by main country – prior period

as of December 31, 2012	Switzerland	United Kingdom	United States	Germany	Other	Total
Defined benefit obligation	(4,774)	(9,143)	(3,302)	(1,260)	(1,190)	(19,668)
Fair value of plan assets	4,250	7,847	2,286	975	910	16,268
Net defined benefit asset/(liability)	**(524)**	**(1,296)**	**(1,016)**	**(285)**	**(280)**	**(3,400)**
Net post-employment benefit (expense)/income	(133)	(167)	(90)	(29)	(17)	(436)

Table 22.4 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 22.4

Key financial assumptions used for major plans

as of December 31	**2013**				2012			
	Switzerland	**United Kingdom**	**United States**	**Germany**	Switzerland	United Kingdom	United States	Germany
Discount rate	2.2%	4.5%	4.8%	3.4%	1.7%	4.7%	3.9%	3.3%
Inflation rate (CPI)[1]	1.4%	2.7%	2.7%	2.0%	1.5%	2.5%	2.9%	2.3%
Salary increase rate	2.0%	3.7%	4.4%	3.3%	2.1%	3.8%	4.4%	3.6%
Expected future pension increases	1.0%	3.7%	n/a	2.0%	1.0%	3.3%	n/a	2.3%
Interest crediting rate	2.2%	n/a	5.0%	n/a	1.4%	n/a	5.0%	n/a

[1] In the UK part of the liability is linked to the inflation measure of the Retail Prices Index (RPI), which is assumed to be 1.0 percent and 0.8 percent higher than the Consumer Prices Index (CPI) as of December 31, 2013 and 2012, respectively.

Tables 22.5a and 22.5b 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 market.

Table 22.5a

Mortality tables and life expectancies for major plans – current period

as of December 31, 2013		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 2010 Generational	21.29	23.08	23.76	25.52
United Kingdom	PNXA00 with CMI_2012 projection	23.14	24.54	25.24	26.74
United States	RP 2000 Generational, partially with projection	19.87	20.65	21.95	22.63
Germany	Heubeck 2005G	18.71	21.39	22.79	25.34

Table 22.5b

Mortality tables and life expectancies for major plans – prior period

as of December 31, 2012		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 2010 Generational, partially with projection	21.18	23.00	23.66	25.44
United Kingdom	PNXA00 with CMI_2009 projection	22.94	24.34	24.74	26.24
United States	RP 2000 Generational, partially with projection	19.46	19.98	21.40	21.71
Germany	Heubeck 2005G	18.60	21.30	22.70	25.20

Table 22.6 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 in table 22.6.

Table 22.6

Maturity profile of future benefit payments for major plans

as of December 31	2013				2012			
	Switzerland	United Kingdom	United States	Germany	Switzerland	United Kingdom	United States	Germany
Duration of the defined benefit obligation	15.6	20.7	14.1	14.2	14.7	20.5	13.8	14.4
Maturity analysis of benefits expected to be paid:								
< 1 year	155	248	141	54	247	230	131	48
1 to 5 years	661	1,171	631	212	969	1,088	596	192
5 to 10 years	978	1,942	964	295	1,222	1,735	917	272

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Table 22.7

Sensitivity analysis of significant actuarial assumptions

in USD millions, as of December 31, 2013	Defined benefit obligation[1]
Discount rate + 50 bps	1,621
Discount rate – 50 bps	(1,855)
Salary increase rate + 50 bps	(149)
Salary decrease rate – 50 bps	144
Price inflation increase rate + 50 bps	(1,001)
Price inflation decrease rate – 50 bps	901
Cash balance interest credit rate + 50 bps	(112)
Cash balance interest credit rate – 50 bps	109
Mortality 10% increase in life expectancy	(1,498)
Mortality 10% decrease in life expectancy	1,419

[1] A negative number indicates an increase in DBO, a positive number a decrease in DBO, respectively.

Table 22.7 sets out the sensitivity of the defined benefit obligations (DBO) to the key actuarial assumptions. The effect on DBO shown allows for an alternative value for each assumption while the other actuarial assumptions remain unchanged. Whilst this table illustrates the overall impact on DBO 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 total DBO; 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 DBO 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 total DBO. 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 DBO. 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.

b) Defined contribution pension plans

Certain of the Group's companies sponsor defined contribution pension plans. Eligibility for participation in such plans is either based on completion of a specified period of continuous service or the date of commencement of employment. The plans provide for voluntary contributions by employees and contributions by the employer which typically range from 2 percent to 10 percent of annual pensionable salary, depending on a number of factors. The Group's contributions under these plans amounted to USD 143 million and USD 132 million for the years ended December 31, 2013 and 2012, respectively.

23. 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, are awarded. Share-based compensation plans are based on the provision of the 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 472 million and USD 490 million for the years ended December 31, 2013 and 2012, 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 either share options and/or performance share programs. Actual plans are tailored to meet local market requirements.

Table 23.1

Expenses recognized in income

in USD millions, as of December 31	2013	2012
Total option-based expenses	5	14
Total share-based expenses	46	126
Total expenses	**50**	**140**

Expenses for share-based payments depend on various factors, including achievement of targets, and are subject to the discretion of the Remuneration Committee. The net amount reflects all aspects of share-based compensation, including adjustments made during the year. The expenses in table 23.1, therefore, may vary significantly from year to 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 out of their gross earnings. This plan was terminated in 2007. There were 138 and 181 participants in the plan as of December 31, 2013 and 2012, respectively.

A new Partnership Share Scheme was launched in March 2013. Participants also benefit from making the deductions from their gross salary up to a maximum of GBP 1,500 or 10 percent of their year to date earnings. There were 782 active participants in the plan as of December 31, 2013.

The Group also operates the 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 the business operating profit (BOP) after tax for the year, for 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 3,000. The total number of participating employees in the Reward Share element of the plans as of December 31, 2013 and 2012 was 5,201 and 5,289 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 2013, 4,533 employees were eligible to participate in the share incentive plan for employees in Switzerland compared with 4,894 in 2012. For the years ended December 31, 2013 and 2012, 1,506 and 1,385 employees, respectively, purchased shares under the 2012 and 2011 share plans.

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The Group Long-Term Incentive Plan

Participants in this plan are granted a target number of performance shares in shares of Zurich Insurance Group Ltd in April each year, such that the economic value is a defined percentage of the annual salary of each participant in the year of grant. Performance shares vest on an annual basis over the subsequent three year period, with the actual level of vesting being between 0 percent and 175 percent of the original shares granted, with an additional discretion to increase vesting to a maximum of 200 percent, depending on the performance of the Group over the previous three calendar years. Performance metrics used to determine the level of vesting are the Group's return on equity and the position of its total annual relative shareholder return measured against an international peer group of insurance companies. One half of the shares that actually vest are sales-restricted for a further three years. As of December 31, 2013 and 2012 there were 1,138 and 1,129 participants in the plan, respectively.

Prior to 2011, for selected senior executives, the target granted was allocated between performance shares and share options in shares of Zurich Insurance Group Ltd. Vesting of the share options is based on the same criteria as those for performance shares over the subsequent three year period, with the same potential multiple of the share options granted dependent on the achievement of the same performance metrics. Share options, once vested, may be exercised by the participant over the period up to seven years from the date of grant.

c) Further information on performance share and option plans

Table 23.2

Movements in options under the Group Long-Term Incentive Plan

	Number of shares under option		Weighted average exercise price (in CHF)	
	2013	2012	**2013**	2012
As of January 1	2,504,584	3,268,779	295	285
Options vesting	236,045	444,277	260	240
Options forfeited	(6,789)	(33,940)	336	258
Options exercised	(152,107)	(408,159)	229	202
Options expired during period	(818,115)	(766,373)	297	273
As of December 31	**1,763,618**	**2,504,584**	**272**	**295**
Exercisable options as of December 31	1,763,618	2,261,239	272	295

The average share price for Zurich Insurance Group Ltd shares in 2013 and 2012 was CHF 250.47 and CHF 221.56, respectively.

Table 23.3

Share options exercised during the period

	Amount		Weighted average share price (in CHF)	
	2013	2012	**2013**	2012
Exercise date				
January to April	117,205	296,042	265	235
May to August	15,301	33,289	256	222
September to December	19,601	78,828	252	238
Total	**152,107**	**408,159**	**258**	**232**

Table 23.4

Range of exercise prices for options outstanding

in CHF, as of December 31	Number of options		Weighted average contractual life in years		Weighted average remaining expected life in years	
	2013	2012	**2013**	2012	**2013**	2012
Exercise price						
100 to 200	174,732	255,683	7.0	7.0	2.3	3.3
201 to 300	750,298	876,150	7.0	7.0	3.3	4.3
301 to 400	838,588	1,372,751	7.0	7.0	0.7	1.3
Total	**1,763,618**	2,504,584	**7.0**	7.0	**2.0**	2.6

Table 23.5

Shares granted during the period

for the years ended December 31	Number		Weighted average fair value at grant date (in CHF)	
	2013	2012	**2013**	2012
Shares granted during the period	496,342	549,831	267	226

The shares granted during the year are the target allocations made under the Group's Long-Term Incentive Plan. Whether these grants vest or not will depend on whether the performance metrics are achieved. If the vesting level turns out to be different to the target, the expense is adjusted accordingly.

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24. Contingent liabilities, contractual commitments and financial guarantees

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 24.1

in USD millions, as of December 31	**2013**	2012
Commitments under investment agreements	4,509	4,225
Less funded commitments	(3,824)	(3,690)
Remaining commitments under investment agreements	685	535
Guarantees and letters of credit[1]	10,283	10,565
Future operating lease commitments	884	1,085
Undrawn loan commitments	8	20
Other commitments and contingent liabilities	72	41

[1] Guarantee features embedded in life insurance products are not included.

Commitments under investment agreements

The Group has committed to contribute capital to 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.

Guarantees and letters of credit

USD 9,270 million of the USD 10,283 million and USD 9,104 million of the USD 10,565 million for financial guarantees and letters of credit as of December 31, 2013 and 2012, respectively, relate to guarantees in the aggregate amount of GBP 5,595 million provided to the directors of a fully owned subsidiary in connection with the rationalization of the Group's top legal holding structure which resulted in the merger of Zurich Group Holding into Zurich Financial Services Ltd in December 2009. These guarantees will expire in August 2015. In 2013 and 2012, an additional USD 787 million and USD 773 million, respectively, relate to guarantees in the aggregate amount of GBP 475 million which were provided to the directors of a fully 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.

Commitments under lease agreements

The Group has entered into various operating leases as lessee for office space and certain computer and other equipment. Lease expenses totaled USD 92 million and USD 102 million for the years ended December 31, 2013 and 2012, respectively.

Future payments under non-cancelable operating leases with terms in excess of one year

Table 24.2

in USD millions, as of December 31	2013	2012
< 1 year	193	205
1 to 2 years	180	187
2 to 3 years	147	174
3 to 4 years	101	155
4 to 5 years	66	110
> 5 years	198	254
Total	**884**	1,085

Indemnity agreements

The Group, through certain of its subsidiaries, has agreed to arrangements that cap Converium's (now Scor Holding (Switzerland) AG) and its successor companies' net exposure for losses arising out of the September 11, 2001 World Trade Center event in New York. As of December 31, 2013 the Group has recorded provisions of USD 38 million, for losses in excess of USD 289 million.

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 would 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 as of December 31, 2013 and 2012 is estimated to amount to approximately USD 88 million and USD 71 million, respectively.

In common with other insurance companies in Europe, the Group is faced with the continued trend towards enhanced consumer protection. Significant uncertainty exists regarding the ultimate cost of these consumer protection trends. 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 assessment.

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 11,752 million and USD 9,445 million as of December 31, 2013 and 2012, 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 proceedings and regulatory investigations

The Group's business is subject to extensive supervision, and is in regular contact with various regulatory authorities. The Group is continuously involved in legal proceedings, and regulatory investigations arising, for the most part, in the ordinary course of its business operations. Specifically, certain companies within the Group are engaged in the following legal proceedings:

An action entitled Fuller-Austin Asbestos Settlement Trust, et al. v. Zurich American Insurance Company (ZAIC), et al., was filed in May 2004 in the Superior Court for San Francisco County, California. Three other similar actions were filed in 2004 and 2005 and have been coordinated with the Fuller-Austin action (collectively, the Fuller-Austin Case). In addition to ZAIC and four of its insurance company subsidiaries, Zurich Insurance Company Ltd and Orange Stone Reinsurance Dublin (Orange Stone) are named as defendants. The plaintiffs, who are historical policyholders of the Home Insurance Company (Home), plead claims for, inter alia, fraudulent transfer, tortious interference, unfair business practices, alter ego and agency liability relating to the recapitalization of Home, which occurred in 1995 following regulatory review and approval. The plaintiffs allege that pursuant to the recapitalization and subsequent transactions, various Zurich entities took assets of Home without giving adequate consideration in return, and contend that this forced Home into liquidation.

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The plaintiffs further allege that the defendants should be held responsible for Home's alleged obligations under their Home policies. The trial judge designated the plaintiffs' claims for constructive fraudulent transfer for adjudication before all other claims; he subsequently ordered an initial bench trial on certain threshold elements of those fraudulent transfer claims and on certain of defendants' affirmative defenses. The trial commenced on November 1, 2010. Closing arguments were heard on February 22 and 23, 2012.

The court issued a tentative decision on the initial bench trial on November 7, 2013, following which the parties had an opportunity to submit proposed corrections to nonsubstantive matters. The court issued its final decision on December 27, 2013. While the court found that plaintiffs had established that Home transferred certain assets to one of the defendants in connection with the 1995 recapitalization transaction, it held that plaintiffs' fraudulent transfer claims, which all related to transfers allegedly made as part of the 1995 recapitalization, were time-barred. The court further held that Home's liquidator had exclusive standing to bring fraudulent transfer claims involving Home's assets. The effect of these holdings should be the dismissal of plaintiffs' fraudulent transfer claims. In addition, the court accepted defendants' arguments that the findings made by the regulators in approving the recapitalization transaction are binding on plaintiffs in the Fuller-Austin Case.

The court set a second phase for hearing on March 6 and 7, 2014, which will consider the effect of the initial decision on the remaining claims. The Group maintains that the Fuller-Austin Case is without merit and intends to continue to defend itself vigorously.

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.

25. Fair value measurement

The Group carries certain assets and liabilities at fair value and discloses the fair value of most other assets and liabilities.

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 regular reviews of valuation techniques and inputs used by pricing providers (for example, default rates of collateral for asset-backed securities), variance and stale price analysis, and comparisons with fair values of similar instruments and with alternative values obtained from asset managers and brokers.

The Group gives the highest priority to quoted and unadjusted prices in active markets to measure fair value. 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 develop internal valuation inputs based on the best information available about the assumptions that market participants would use when pricing the asset or liability.

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Tables 25.1a and 25.1b compare the fair value of financial assets and financial liabilities with their carrying value. Certain financial instruments are not included within these tables 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 and deposits received under ceded reinsurance contracts and other financial assets and liabilities.

Table 25.1a

Fair value and carrying value of financial assets and financial liabilities – non unit-linked

in USD millions, as of December 31	Total fair value		Total carrying value	
	2013	2012	**2013**	2012
Available-for-sale securities				
Equity securities	9,758	8,796	9,758	8,796
Debt securities	144,723	141,597	144,723	141,597
Total available-for-sale securities	154,481	150,392	154,481	150,392
Fair value through profit or loss securities				
Equity securities	3,425	3,545	3,425	3,545
Debt securities	7,121	8,985	7,121	8,985
Total fair value through profit or loss securities	10,546	12,530	10,546	12,530
Derivative assets	1,142	1,750	1,142	1,750
Held-to-maturity debt securities	5,172	5,745	4,613	5,012
Investments in associates and joint ventures	129	85	129	85
Mortgage loans	10,326	11,298	9,798	10,519
Other loans	13,365	15,857	11,789	13,385
Total financial assets	**195,159**	**197,657**	**192,496**	**193,674**
Derivative liabilities	(729)	(537)	(729)	(537)
Financial liabilities held at amortized cost				
Liabilities related to investment contracts	(1,163)	(1,540)	(1,030)	(1,305)
Liabilities related to investment contracts with DPF	(6,241)	(5,663)	(6,614)	(5,903)
Senior debt	(6,340)	(7,180)	(6,044)	(6,660)
Subordinated debt	(6,821)	(6,379)	(6,342)	(5,861)
Total financial liabilities held at amortized cost	(20,565)	(20,763)	(20,030)	(19,729)
Total financial liabilities	**(21,294)**	**(21,299)**	**(20,759)**	**(20,265)**

Fair value and carrying value of financial assets and financial liabilities – unit-linked

Table 25.1b

in USD millions, as of December 31	Total fair value		Total carrying value	
	2013	2012	**2013**	2012
Fair value through profit or loss securities				
Equity securities	111,954	99,478	111,954	99,478
Debt securities	11,605	11,646	11,605	11,646
Other loans	6,066	8,279	6,066	8,279
Total fair value through profit or loss securities	129,624	119,403	129,624	119,403
Derivative assets	45	62	45	62
Total financial assets	**129,669**	**119,465**	**129,669**	**119,465**
Fair value through profit or loss financial liabilities				
Liabilities related to unit-linked investment contracts	(59,469)	(50,229)	(59,469)	(50,229)
Derivative liabilities	(4)	(5)	(4)	(5)
Total financial liabilities	**(59,473)**	**(50,234)**	**(59,473)**	**(50,234)**

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 financial liabilities, 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 either current interest rates charged by the Group on these instruments or calculated rates that reflect the return a market participant would expect to receive on instruments with similar remaining maturities, cash flow patterns, currencies, credit risk, collateral and interest rates. 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.

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Recurring fair value measurements of assets and liabilities

Fair value hierarchy – Group

Table 25.2a

in USD millions, as of December 31, 2013	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Equity securities	8,420	338	1,000	9,758
Debt securities	122	141,827	2,775	144,723
Total available-for-sale securities	8,542	142,164	3,774	154,481
Fair value through profit or loss securities				
Equity securities	1,006	245	2,175	3,425
Debt securities	66	6,836	219	7,121
Total fair value through profit or loss securities	1,072	7,080	2,394	10,546
Derivative assets	1	1,046	95	1,142
Real estate held for Investment	–	2,011	6,734	8,745
Reinsurers' share of reserves for insurance contracts fair value option[1]	–	–	346	346
Total	**9,615**	**152,301**	**13,343**	**175,260**
Derivative liabilities	(22)	(637)	(70)	(729)
Reserves for insurance contracts fair value option[2]	–	–	(3,306)	(3,306)
Total	**(22)**	**(637)**	**(3,377)**	**(4,035)**

[1] Included within reinsurers' share of reserves for insurance contracts.
[2] Included within reserves for insurance contracts.

Fair value hierarchy – unit-linked

Table 25.2b

in USD millions, as of December 31, 2013	Level 1	Level 2	Level 3	Total
Fair value through profit or loss securities				
Equity securities	85,375	26,514	64	111,954
Debt securities	35	11,486	84	11,605
Other loans	–	6,066	–	6,066
Total fair value through profit or loss securities	85,411	44,066	148	129,624
Derivative assets	1	44	–	45
Real estate held for Investment	–	–	3,661	3,661
Total	**85,412**	**44,109**	**3,809**	**133,330**
Fair value through profit or loss financial liabilities				
Liabilities related to unit-linked investment contracts	–	(59,469)	–	(59,469)
Derivative liabilities	–	(4)	–	(4)
Total	**–**	**(59,473)**	**–**	**(59,473)**

Within level 1, the Group has classified common stocks, exchange traded derivative financial instruments, investments in unit trusts that are actively traded in an exchange market and highly liquid debt securities.

Within level 2, the Group has classified government and corporate bonds, investments in unit trusts, and investments in agency-backed and senior tranches of asset-backed securities where quotes 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). Upon adoption of IFRS 13, the Group elected to classify certain government and corporate debt within level 2, which were previously within level 1. While these debt securities may qualify for level 1 classification based on ordinary transactions in identical instruments, it has been assumed, as a practical expedient, that such instruments would predominantly be valued based on a mix of observable inputs.

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, correlations, yield curves, prepayment rates and volatility of underlying instruments. Prices are typically sourced from independent pricing providers, banks and brokers. 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 certain hedge funds that are not actively traded. Such instruments are obtained from net asset value information and audited financial statements provided by the issuing hedge funds and private equity funds. Performance of these investments and determination of their fair value are monitored and reviewed closely by the Group's in-house investment professionals and may be adjusted based on their understanding of the circumstances of individual investments.

- Asset-backed securities (ABSs) for which very limited market activity is currently observed. These ABSs include non-agency backed securities for which the Group's external pricing providers are required to make internal valuation assumptions due to the limited observable market activity. To determine the fair value of these investments, pricing providers use valuation models that are based on an expected present value technique using unobservable inputs such as prepayment rates.

- Certain options and long-dated derivative financial instruments with fair values determined using unobservable inputs such as historical volatilities, implied volatilities from the counterparty valuations or using other extrapolation techniques.

- Certain real estate properties. Fair value of real estate held for investment 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. The valuation methods applied are income capitalization, discounted cash flow analysis, and market comparables taking into account the actual letting status and observable market data. The majority of such investments have been categorized within level 3 because the valuation techniques used include significant adjustments to observable data of similar properties. Some of these investments have been categorized within level 2, where there are active and transparent markets and no significant adjustments to the observable data are required.

- Reinsurers' share of reserves and reserves for insurance contracts fair value option. The fair values are determined using discounted cash flows models. The discount factors used are based on derived rates for LIBOR swap forwards, spreads to US Treasuries and spreads to US 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.

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, 2013, no material transfers between level 1 and level 2 occurred.

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Development of assets and liabilities classified within level 3 – non unit-linked

Table 25.3a

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**	**Real estate held for investment**
As of January 1, 2013	966	2,789	1,670	246	170	(110)	6,926
Realized gains/(losses) recognized in income[1]	71	30	(18)	(2)	–	(37)	99
Unrealized gains/(losses) recognized in income[1, 2]	(5)	(18)	252	4	(78)	41	26
Unrealized gains/(losses) recognized in other comprehensive income	53	(23)	–	–	–	–	15
Purchases	132	944	694	–	–	–	345
Settlements/sales/redemptions	(240)	(1,001)	(435)	(32)	–	37	(750)
Transfer from assets held for own use	–	–	–	–	–	–	10
Transfer to assets held for sale	–	–	–	–	–	–	(42)
Transfers into level 3	10	57	–	1	–	–	–
Transfers out of level 3	–	(20)	–	–	–	–	–
Foreign currency translation effects	12	17	12	2	3	(2)	106
As of December 31, 2013	**1,000**	**2,775**	**2,175**	**219**	**95**	**(70)**	**6,734**

[1] Presented as net capital gains/(losses) and impairments on Group investments in the consolidated income statements.
[2] Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments. Unrealized gains/(losses) recognized in income for fair value through profit or loss securities relate to net capital gains/(losses) and impairments.

For the year ended December 31, 2013, the Group transferred USD 57 million of available-for-sale debt securities into level 3. The transfers were mainly the result of higher price volatility and credit rating downgrades of certain asset-backed securities, resulting in a reduction of market activity in the instruments.

Development of reserves for insurance contracts fair value option classified within level 3

Table 25.3b

in USD millions	**Gross**	**Ceded**	**Net**
As of January 1, 2013	4,183	(456)	3,727
Premiums	101	(8)	93
Claims	(312)	31	(281)
Fee income and other expenses	3	(1)	2
Interest and bonuses credited to policyholders	(501)	75	(426)
Changes in assumptions	(167)	13	(154)
As of December 31, 2013	**3,306**	**(346)**	**2,960**

Development assets and liabilities classified within level 3 – unit-linked

Table 25.3c

in USD millions	Fair value through profit or loss securities		Real estate held for investment
	Equity securities	Debt securities	
As of January 1, 2013	2,663	109	3,401
Realized gains/(losses) recognized in income[1]	35	(1)	(4)
Unrealized gains/(losses) recognized in income[1]	(70)	(4)	90
Purchases	62	2	183
Sales/redemptions	(144)	(24)	(82)
Transfers into Level 3	5	2	–
Transfers out of Level 3	(2,489)	–	–
Foreign currency translation effects	2	–	74
As of December 31, 2013	**64**	**84**	**3,661**

[1] Presented as net investment result on unit-linked investments in the consolidated income statements.

For the year ended December 31, 2013, the Group transferred USD 2,489 million of fair value through profit or loss equity securities out of level 3 into level 2. The transfers were the result of using observable inputs for the price valuation of the underlying assets of certain mutual funds.

Non-recurring fair value measurements of assets and liabilities

In particular circumstances, the Group may measure certain assets or liabilities at fair value on a non-recurring basis when an impairment charge is recognized.

For the year ended December 31, 2013, the Group has valued USD 691 million of mortgage loans at fair value on a non-recurring basis. The fair value measurement is classified within level 3 as it is based on internal pricing models, using significant unobservable inputs.

Sensitivity of fair values reported for level 3 instruments to changes to key assumptions

Within level 3, the Group classified asset-backed securities amounting to USD 2,993 million and USD 84 million for Group investments and investments for unit-linked contracts, respectively, as of December 31, 2013.

Within level 3, the Group also classified investments in private equity funds, certain hedge funds and other securities which are not quoted on an exchange amounting to USD 3,175 million and USD 64 million for Group investments and investments for unit-linked contracts, respectively, as of December 31, 2013.

The key assumptions driving the valuation of these investments include equity levels, discount rates, credit spread rates and prepayment rates. The effect on reported fair values of using reasonably possible alternative values for each of these assumptions, while the other key assumptions remain unchanged, is disclosed in table 25.4. While this table illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. Inter-relationships between those unobservable inputs are disclosed in table 25.5. The correlation is based on the historical correlation matrix derived from the risk factors which are assigned to each of the level 3 exposures (equity and debt securities). The main market drivers are equity markets and rate indicators and the impact of such changes on the other factors. The spread scenario has been added to analyze the impact of an increase of borrowing cost for entities.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. 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 fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

Consolidated financial statements *continued*

Sensitivity analysis of level 3 investments to changes in key assumptions

Table 25.4

as of December 31, 2013	Less favorable values (relative change)	Decrease in reported fair value (in USD millions)	More favorable values (relative change)	Increase in reported fair value (in USD millions)
Key assumptions				
Equity levels	–20%	(647)	+20%	647
Discount rates	+20%	(85)	–20%	87
Spread rates	+20%	(70)	–20%	70
Prepayment rates	–20%	(3)	+20%	2

Inter-relationship analysis of level 3 investments to changes in key assumptions

Table 25.5

as of December 31, 2013	Key assumptions				
	Equity Levels	Discount Rates	Spread rates	Prepayment rates	Increase/decrease in reported fair value (in USD millions)
Scenarios					
Equity levels +10%	+10.0%	+1.2%	+1.2%	+1.2%	311
Equity levels –10%	–10.0%	–1.2%	–1.3%	–1.3%	(312)
Discount rates +10%	–1.0%	+10.0%	+12.2%	–2.0%	(69)
Discount rates –10%	+1.0%	–10.0%	–6.9%	+2.0%	60
Spread rates +10%	+0.1%	+7.0%	+10.0%	+0.2%	(68)

Within level 3, the Group also classified:

- Real estate held for investment amounting to USD 6,734 million and USD 3,661 million for Group investments and investments for unit-linked contracts, respectively, as of December 31, 2013. A large portion of this portfolio is valued using an internal income capitalization model. The model is asset specific and capitalizes the sustainable investment income of a property with its risk specific cap rate. This cap rate is an "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 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, market rent and vacancy rate. The significant unobservable inputs which are outside this model, are estimated rental value, rental growth, long term vacancy rate and discount rate. Significant increases/(decreases) in rental value and 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.

- Reinsurers' share of reserves and reserves for insurance contracts fair value option amounting to USD 346 million and USD 3,306 million respectively, as of December 31, 2013. The significant unobservable inputs used in the fair value measurement are the policy decrement assumptions used in projecting cash flows. 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.

26. Related party transactions

In the normal course of business, the Group enters into various transactions with related companies, including various reinsurance and cost-sharing arrangements. These transactions are not considered material to the Group, either individually or in aggregate. 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.

Table 26.1 sets out related party transactions with equity method accounted investments, reflected in the consolidated income statements and consolidated balance sheets.

Related party transactions included in the Consolidated financial statements

Table 26.1

in USD millions		
for the years ended December 31	**2013**	2012
Net earned premiums and policy fees	4	13
Net investment result on Group investments	10	12
Insurance benefits and losses, net of reinsurance	(7)	(9)
Underwriting and policy acquisition costs, net of reinsurance	–	(1)
Administrative and other operating expense	(3)	(2)
as of December 31	**2013**	2012
Other loans	15	18
Deposits made under assumed reinsurance contracts	1	4
Receivables and other assets	2	5
Reserves for insurance contracts	(9)	(11)
Other liabilities	(1)	(1)

Table 26.2 summarizes related party transactions with key personnel reflected in the Consolidated financial statements. Key personnel includes members of the Board of Directors of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd and members of the Group Executive Committee.

Related party transactions – key personnel

Table 26.2

in USD millions, for the years ended December 31	**2013**	2012
Remuneration of key personnel of the Group		
Cash compensation, current benefits and fees	30	31
Post-employment benefits	3	3
Share-based compensation	15	14
Total remuneration of key personnel	**48**	48

As of December 31, 2013 and 2012 there were no loans, advances or credits outstanding from members of the Group Executive Committee. Outstanding loans and guarantees granted to members of the Board of Directors amounted to USD 3 million for both the years ended December 31, 2013 and December 31, 2012. The terms "members of the Board of Directors" and "members of the Group Executive Committee" in this context include the individual as well as members of their respective households. The figures in table 26.2 include the fees paid to members of the Board of Directors of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd, which were USD 5 million for both the years ended December 31, 2013 and December 31, 2012.

Information required by art. 663bbis and art. 663c paragraph 3 of the Swiss Code of Obligation is disclosed in the Financial statements of the holding company.

The cash compensation, current benefits and fees are short term in nature.

Consolidated financial statements *continued*

27. Farmers Exchanges

Farmers Group, Inc. and its subsidiaries (FGI) provide certain administrative and non-claims management services to the Farmers Exchanges, which are managed by Farmers Group, Inc. a wholly owned subsidiary of the Group. 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 issued by the Farmers Exchanges

As of December 31, 2013 and 2012, FGI and other Group companies held the following certificates of contribution issued by the Farmers Exchanges. Originally these were purchased by FGI in order to supplement the policyholders' surplus of the Farmers Exchanges.

Surplus Notes

Table 27

in USD millions, as of December 31	**2013**	2012
6.15% certificate of contribution, due June 2021	707	707
6.15% certificate of contribution, due June 2021	140	140
6.15% certificate of contribution, due June 2021	60	60
4.65% certificate of contribution, due December 2013	–	150
Various other certificates of contribution	23	23
Total	**930**	**1,080**

Conditions governing payment of interest and repayment of principal are outlined in the 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 treaties with the Farmers Exchanges

The Farmers Exchanges ceded risk through quota share reinsurance treaties to Farmers Reinsurance Company (Farmers Re Co), a wholly owned subsidiary of FGI, and to Zurich Insurance Company Ltd (ZIC).

Auto Physical Damage Quota Share reinsurance agreement

The Auto Physical Damage (APD) Quota Share reinsurance agreement (APD agreement) with the Farmers Exchanges provides for annual ceded premiums of USD 1 billion with 20.0 percent originally assumed by Farmers Re Co (USD 200 million) and 80.0 percent assumed by ZIC (USD 800 million), with the ceding commission for acquisition expenses ranging between 27.1 percent and 29.1 percent, and the ceding commission for unallocated loss adjustment expenses ranging between 8 percent and 10 percent, both based on a previous 5 year average experience. In addition, Farmers Re Co and ZIC assume a quota share percentage of ultimate net losses sustained by the Farmers Exchanges in their APD lines of business. The APD agreement can be cancelled after 90 days' notice by any of the parties.

Effective January 1, 2013, the APD agreement was amended such that Farmers Re Co assumed 12.5 percent of the ceded annual premiums (USD 125 million) while ZIC continues to assume USD 800 million of the annual ceded premiums. The remaining USD 75 million of the APD premiums is assumed by a third party on the same terms as Farmers Re Co and ZIC.

Farmers Exchanges' share of ceded premiums amounted to USD 1 billion for both the years ended December 31, 2013 and 2012. Ceded incurred losses and loss adjustment expenses totaled USD 703 million and USD 723 million for the years ended December 31, 2013 and 2012, respectively. Farmers Exchanges' share of the total commission income was USD 291 million and USD 290 million for the years ended December 31, 2013 and 2012, respectively.

All Lines Quota Share reinsurance agreement

Certain of the Farmers Exchanges participate in an All Lines Quota Share reinsurance agreement (All Lines agreement) with Farmers Re Co and ZIC which has been amended over the years, with the participation ratio at 20 percent as of December 31, 2011 and 18.5 percent as of December 31, 2012. The All Lines agreement provided for a cession of a quota share of the premiums written and the ultimate net losses sustained in all lines of business written by the Farmers Exchanges after the APD agreement has been applied. Under the All Lines agreement, which can be terminated after 90 days' notice by any of the parties, Farmers Re Co and ZIC assumed a 4.0 percent and 16.0 percent respective quota share of the premiums written and the ultimate net losses sustained in all lines of business written by the Farmers Exchanges after the APD agreement has been applied. In addition, under the All Lines agreement, the Farmers Exchanges catastrophe losses are subject to a maximum of USD 1.2 billion. As a result, Farmers Re Co and ZIC are subject to a maximum annual catastrophe loss of USD 48.0 million and USD 192 million, respectively. The All Lines agreement also provides for the Farmers Exchanges to receive a provisional ceding commission of 26.7 percent, 9.0 percent of premiums for unallocated loss adjustment expenses and 5.3 percent of premiums for other expenses.

Effective December 31, 2012, the All Lines agreement was amended such that Farmers Re Co assumes a 2.5 percent quota share. The remaining 1.5 percent quota share is assumed by a third party on the same terms as Farmers Re Co and ZIC. Unearned premiums totaling USD 102 million were transferred from Farmers Re Co to the Farmers Exchanges as a result of its decreased participation in the All Lines agreement effective December 31, 2012. In addition, the Farmers Exchanges remitted USD 27 million of reinsurance commissions to Farmers Re Co for acquisition expenses due to the decreased participation in the All Lines agreement.

Effective December 31, 2013, the All Lines agreement was amended such that Farmers Re Co assumes a 2.0 percent quota share. The remaining 2.0 percent quota share is assumed by a third party on the same terms as Farmers Re Co and ZIC. Unearned premiums totaling USD 34 million were transferred from Farmers Re Co to the Farmers Exchanges as a result of its decreased participation in the All Lines agreement effective December 31, 2013. In addition, the Farmers Exchanges remitted USD 9.0 million of reinsurance commissions to Farmers Re Co for acquisition expenses due to the decreased participation in the All Lines agreement.

Based on the results for 2013, the Farmers Exchanges share of ceded premiums earned and commissions were USD 3,431 million and USD 1,098 million, respectively, and recoveries totaled USD 2,349 million, for the year ended December 31, 2013.

Consolidated financial statements *continued*

28. Segment information

The Group pursues a customer-centric strategy and is managed on a matrix basis, reflecting both businesses and geography. The Group's operating 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. Segment information is presented accordingly. The Group's reportable segments are as follows:

General Insurance provides a variety of motor, home and commercial products and services for individuals, as well as small and large businesses.

Global Life pursues a strategy of providing market-leading unit-linked, protection and corporate propositions through global distribution and proposition pillars to develop leadership positions in its chosen segments.

Farmers, through Farmers Group, Inc. and its subsidiaries (FGI), provides non-claims related management services to the Farmers Exchanges. FGI receives fee income for the provision of services to the Farmers Exchanges, which are owned by their policyholders and managed by Farmers Group, Inc., a wholly owned subsidiary of the Group. 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.

For the purpose of discussing financial performance the Group considers General Insurance, Global Life and Farmers to be its core business segments.

Other Operating Businesses predominantly consist of the Group´s Headquarters and Holding and Financing 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. In addition, Non-Core Businesses includes the Group's management of property loans and banking activities. Non-core businesses are mainly situated in the U.S., Bermuda, the UK and Ireland.

The Group also manages two of the three core segments on a secondary level.

General Insurance is managed based on market-facing businesses, including:

- Global Corporate
- North America Commercial
- Europe
- Latin America
- Asia-Pacific
- Middle East and Africa

For external reporting purposes Latin America, Asia-Pacific and Middle East and Africa are aggregated into International Markets.

The Group decided that from January 1, 2014, the General Insurance business will manage Middle East and Africa together with Europe to form a single market-facing business called Europe, Middle East & Africa (EMEA). This change has no impact on total General Insurance or the Group.

Global Life is managed on a regional-based structure within a global framework, including:

- North America
- Latin America
- Europe
- Asia-Pacific and Middle East

The segment information includes the Group's internal performance measure, business operating profit (BOP). This measure is the basis on which business units are managed. It indicates the underlying performance of the 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 on investments and impairments (except for the capital markets and property lending/banking operations included in Non-Core Businesses and investments in hedge funds, 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, charges for litigation outside the ordinary course of business, gains and losses on divestments of businesses, impairments of goodwill and the change in estimates of earn-out liabilities (with the exception of experience adjustments, which remain within BOP) are also excluded from BOP.

Consolidated financial statements *continued*

Table 28.1

Business operating profit by business segment

in USD millions, for the years ended December 31	General Insurance		Global Life	
	2013	2012	**2013**	2012
Revenues				
Direct written premiums[1]	34,240	33,393	11,143	11,043
Assumed written premiums	2,198	2,217	209	102
Gross Written Premiums	36,438	35,610	11,352	11,145
Policy fees	–	–	2,564	2,445
Gross written premiums and policy fees	36,438	35,610	13,916	13,590
Less premiums ceded to reinsurers	(5,959)	(5,874)	(693)	(710)
Net written premiums and policy fees	30,479	29,736	13,223	12,880
Net change in reserves for unearned premiums	(710)	(540)	(371)	(259)
Net earned premiums and policy fees	29,769	29,195	12,852	12,621
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	2,384	2,587	4,489	4,833
Net investment income on Group investments	2,217	2,516	3,895	3,991
Net capital gains/(losses) and impairments on Group investments	167	71	595	842
Net investment result on unit-linked investments	–	–	12,731	9,629
Other income	830	992	1,156	1,047
Total BOP revenues	32,983	32,774	31,229	28,128
of which: inter-segment revenues	*(389)*	*(510)*	*(362)*	*(367)*
Benefits, losses and expenses				
Insurance benefits and losses, net[1]	20,321	20,527	9,167	9,592
Losses and loss adjustment expenses, net	20,323	20,547	–	–
Life insurance death and other benefits, net[1]	(1)	(20)	9,167	9,592
Policyholder dividends and participation in profits, net	6	4	13,820	10,706
Income tax expense/(benefit) attributable to policyholders	–	–	285	194
Underwriting and policy acquisition costs, net	5,756	5,833	3,003	2,804
Administrative and other operating expense (excl. depreciation/amortization)	3,604	3,878	2,653	2,523
Interest credited to policyholders and other interest	19	18	420	403
Restructuring provisions and other items not included in BOP	(276)	(113)	(88)	(113)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	29,429	30,147	29,261	26,109
Business operating profit (before interest, depreciation and amortization)	**3,554**	**2,627**	**1,968**	**2,020**
Depreciation and impairments of property and equipment	90	110	38	32
Amortization and impairments of intangible assets	394	211	405	483
Interest expense on debt	138	141	21	22
Business operating profit before non-controlling interests	2,932	2,165	1,504	1,484
Non-controlling interests	72	52	233	133
Business operating profit	**2,859**	**2,112**	**1,272**	**1,351**

[1] The Global Life segment includes approximately USD 521 million and USD 603 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in the Group's Spanish operations for the years ended December 31, 2013 and 2012, respectively (see note 3).

Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
–	–	–	–	113	114	–	–	45,496	44,550
4,045	4,361	109	116	102	113	(194)	(175)	6,469	6,734
4,045	4,361	109	116	215	227	(194)	(175)	51,965	51,285
–	–	–	–	320	248	–	–	2,884	2,692
4,045	4,361	109	116	535	475	(194)	(175)	54,849	53,977
–	–	(55)	(50)	(33)	(21)	194	175	(6,546)	(6,481)
4,045	4,361	54	66	502	454	–	–	48,303	47,496
54	56	–	–	1	1	–	–	(1,025)	(741)
4,099	4,418	54	66	504	455	–	–	47,277	46,755
2,810	2,846	–	–	–	–	–	–	2,810	2,846
107	124	315	396	(439)	390	(602)	(658)	6,254	7,671
107	124	315	396	309	413	(602)	(658)	6,240	6,782
–	–	–	–	(748)	(24)	–	–	14	889
–	–	–	–	73	565	–	–	12,805	10,193
80	101	730	931	144	113	(1,183)	(1,515)	1,757	1,669
7,095	7,489	1,099	1,393	282	1,521	(1,785)	(2,173)	70,903	69,133
(64)	*(69)*	*(919)*	*(1,171)*	*(51)*	*(56)*	*1,785*	*2,173*	–	–
2,823	3,198	49	56	(162)	380	–	–	32,198	33,752
2,823	3,198	–	(1)	(18)	27	–	(3)	23,128	23,769
–	–	49	56	(144)	353	–	3	9,070	9,983
–	–	–	–	121	694	–	–	13,946	11,405
–	–	–	–	–	–	–	–	285	194
1,285	1,383	–	–	6	2	(10)	(9)	10,041	10,014
1,343	1,346	993	1,155	132	150	(1,119)	(1,483)	7,607	7,570
–	–	4	6	91	121	(23)	(3)	510	545
(12)	3	(63)	(24)	2	(1)	–	–	(437)	(248)
5,440	5,931	984	1,193	189	1,346	(1,151)	(1,495)	64,151	63,231
1,655	**1,558**	**115**	**200**	**93**	**175**	**(634)**	**(678)**	**6,752**	**5,902**
48	53	10	15	1	1	–	–	186	210
91	100	121	79	–	1	–	–	1,011	874
1	3	1,040	1,038	20	44	(634)	(678)	586	570
1,516	1,402	(1,056)	(932)	72	129	–	–	4,968	4,248
–	–	(16)	(22)	–	1	–	–	288	164
1,516	**1,402**	**(1,039)**	**(910)**	**73**	**129**	**–**	**–**	**4,680**	**4,084**

Consolidated financial statements *continued*

Reconciliation of BOP to net income after income taxes

Table 28.2

in USD millions, for the years ended December 31	General Insurance		Global Life	
	2013	2012	**2013**	2012
Business operating profit	**2,859**	**2,112**	**1,272**	**1,351**
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	480	1,051	1	352
Net gain/(loss) on divestments of businesses	–	(38)	–	3
Restructuring provisions	8	(114)	(36)	(83)
Net income/(expense) on intercompany loans	(12)	(21)	(2)	(2)
Impairments of goodwill	(209)	–	–	–
Change in estimates of earn-out liabilities	(50)	–	35	–
Other adjustments	(13)	22	(84)[1]	(28)
Business operating profit attributable to non-controlling interests	72	52	233	133
Net income before shareholders' taxes	3,135	3,065	1,417	1,725
Income tax expense/(benefit) attributable to policyholders	–	–	285	194
Net income before income taxes	**3,135**	**3,065**	**1,702**	**1,919**
Income tax expense				
attributable to policyholders				
attributable to shareholders				
Net income after taxes				
attributable to non-controlling interests				
attributable to shareholders				

[1] Includes USD 37 million of software impairments relating to a restructuring program (see notes 16 and 18).
[2] Includes USD 75 million of foreign exchange movements relating to operations which were liquidated or substantially liquidated.

	Farmers		Other Operating Businesses		Non-Core Businesses		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	1,516	**1,402**	**(1,039)**	**(910)**	**73**	**129**	**4,680**	**4,084**
	6	18	645	(149)	12	41	1,144	1,312
	–	–	(1)	1	–	–	(1)	(34)
	(12)	(1)	(2)	(11)	1	(1)	(41)	(211)
	–	–	14	23	–	–	–	–
	–	–	–	–	–	–	(209)	–
	–	–	–	–	–	–	(16)	–
	–	5	(74)[2]	(36)	–	–	(172)	(38)
	–	–	(16)	(22)	–	1	288	164
	1,510	1,423	(474)	(1,104)	86	169	5,674	5,277
	–	–	–	–	–	–	285	194
	1,510	**1,423**	**(474)**	**(1,104)**	**86**	**169**	**5,960**	**5,472**
							(1,701)	(1,496)
							(285)	(194)
							(1,415)	(1,302)
							4,259	**3,975**
							231	89
							4,028	3,887

Consolidated financial statements *continued*

Assets and liabilities by business segment

Table 28.3

in USD millions, as of December 31	General Insurance		Global Life	
	2013	2012	**2013**	2012
Assets				
Total Group Investments	90,369	89,557	113,864	113,305
Cash and cash equivalents	10,125	10,795	3,181	3,096
Equity securities	6,733	5,716	5,132	4,467
Debt securities	65,408	65,556	80,715	79,626
Real estate held for investment	3,159	2,827	5,239	5,334
Mortgage loans	1,470	1,460	7,463	7,934
Other loans	3,467	3,197	12,069	12,779
Investments in associates and joint ventures	7	7	65	69
Investments for unit-linked contracts	–	–	122,423	112,036
Total investments	90,369	89,557	236,287	225,340
Reinsurers' share of reserves for insurance contracts	13,008	13,901	2,068	1,983
Deposits made under assumed reinsurance contracts	56	46	49	29
Deferred policy acquisition costs	3,794	3,543	14,606	14,466
Deferred origination costs	–	–	724	770
Goodwill	588	852	445	435
Other intangible assets	1,369	1,375	4,023	4,366
Other assets	15,492	15,642	7,291	6,669
Total assets (after cons. of investments in subsidiaries)	**124,675**	**124,916**	**265,493**	**254,059**
Liabilities				
Liabilities for investment contracts	–	–	67,113	57,437
Reserves for insurance contracts, gross	82,148	82,693	161,131	158,533
Reserves for losses and loss adjustment expenses, gross	65,629	66,542	–	–
Reserves for unearned premiums, gross	16,409	16,023	–	–
Future life policyholders' benefits, gross	77	96	80,302	78,718
Policyholders' contract deposits and other funds, gross	33	32	17,801	17,572
Reserves for unit-linked contracts, gross	–	–	63,028	62,243
Senior debt	7,021	6,625	545	289
Subordinated debt	193	617	7	334
Other liabilities	14,611	13,967	17,147	17,447
Total liabilities	**103,973**	**103,901**	**245,943**	**234,040**
Equity				
Shareholders' equity				
Non-controlling interests				
Total equity				
Total liabilities and equity				
Supplementary information				
Additions and capital improvements to property, equipment and intangible assets	344	331	157	150

Farmers 2013	Farmers 2012	Other Operating Businesses 2013	Other Operating Businesses 2012	Non-Core Businesses 2013	Non-Core Businesses 2012	Eliminations 2013	Eliminations 2012	Total 2013	Total 2012
3,769	3,881	17,834	18,503	9,856	13,120	(28,412)	(28,785)	207,280	209,582
418	377	9,023	8,562	1,676	2,518	(17,242)	(16,249)	7,181	9,098
91	96	1,098	1,686	130	376	–	–	13,183	12,341
1,190	1,274	5,925	4,707	5,012	6,250	(1,794)	(1,819)	156,456	155,594
76	101	–	43	272	256	–	–	8,745	8,561
–	–	–	–	864	1,125	–	–	9,798	10,519
1,995	2,033	1,733	3,498	1,901	2,595	(9,376)	(10,717)	11,789	13,385
–	–	55	9	2	1	–	–	129	85
–	–	–	–	11,844	11,877	–	–	134,267	123,913
3,769	3,881	17,834	18,503	21,701	24,998	(28,412)	(28,785)	341,547	333,496
–	–	–	–	3,013	4,042	(111)	(174)	17,978	19,753
2,376	2,319	–	–	165	194	(2)	–	2,645	2,588
323	337	–	–	–	–	–	–	18,724	18,346
–	–	–	–	–	–	–	–	724	770
819	819	–	–	–	–	–	–	1,852	2,107
1,368	1,407	268	300	–	1	–	–	7,028	7,448
985	1,071	1,662	1,717	1,324	1,347	(2,198)	(2,122)	24,556	24,324
9,640	**9,834**	**19,765**	**20,520**	**26,203**	**30,583**	**(30,723)**	**(31,081)**	**415,053**	**408,831**
–	–	–	–	–	–	–	–	67,113	57,437
2,820	2,841	35	36	19,416	21,303	(111)	(174)	265,440	265,233
1,612	1,580	27	27	1,119	1,969	(75)	(131)	68,312	69,986
1,208	1,262	3	4	17	20	(21)	(9)	17,616	17,300
–	–	5	6	4,107	5,020	(14)	(33)	84,476	83,807
–	–	–	–	2,328	2,420	–	–	20,162	20,024
–	–	–	–	11,844	11,874	–	–	74,873	74,117
172	214	24,251	24,398	1,668	2,554	(27,612)	(27,421)	6,044	6,660
–	–	6,268	5,788	23	23	(149)	(901)	6,342	5,861
1,175	1,318	1,830	1,925	3,467	4,695	(2,850)	(2,586)	35,380	36,766
4,167	**4,373**	**32,385**	**32,148**	**24,574**	**28,576**	**(30,723)**	**(31,081)**	**380,319**	**371,957**
								32,503	34,505
								2,231	2,369
								34,734	36,874
								415,053	**408,831**
169	120	81	150	–	–	–	–	752	751

Consolidated financial statements *continued*

General Insurance – Customer segment overview

Table 28.4

in USD millions, for the years ended December 31	Global Corporate		North America Commercial	
	2013	2012	**2013**	2012
Gross written premiums and policy fees	9,264	8,609	10,215	10,003
Net earned premiums and policy fees	6,077	5,499	7,633	7,634
Insurance benefits and losses, net	4,471	4,291	5,193	5,453
Policyholder dividends and participation in profits, net	–	1	5	3
Total net technical expenses	1,140	1,157	2,072	2,151
Net underwriting result	466	50	362	26
Net investment income	505	573	634	827
Net capital gains/(losses) and impairments on investments	48	17	114	44
Net non-technical result (excl. items not included in BOP)	(140)	(142)	(139)	(199)
Business operating profit before non-controlling interests	878	497	970	699
Non-controlling interests	–	(1)	(1)	(1)
Business operating profit	879	498	972	699

Ratios, as % of net earned premiums and policy fees				
Loss ratio	73.6%	78.0%	68.0%	71.4%
Expense ratio	18.8%	21.1%	27.2%	28.2%
Combined ratio	92.3%	99.1%	95.3%	99.7%

Europe		International Markets		GI Global Functions including Group Reinsurance		Eliminations		Total	
2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
11,799	11,882	5,700	5,603	390	345	(930)	(832)	36,438	35,610
11,583	11,772	4,465	4,282	12	9	–	–	29,769	29,195
7,804	8,225	2,757	2,583	96	(25)	–	–	20,321	20,527
–	–	–	–	–	–	–	–	6	4
3,139	3,222	1,737	1,645	12	11	(4)	(2)	8,095	8,185
640	324	(29)	54	(96)	22	4	2	1,347	479
724	785	278	269	79	64	(3)	(2)	2,217	2,516
5	1	–	9	–	–	–	–	167	71
(351)	(414)	(69)	(110)	(99)	(37)	(1)	–	(799)	(901)
1,018	697	180	223	(116)	49	–	–	2,932	2,165
9	(5)	65	58	–	–	–	–	72	52
1,009	702	115	165	(116)	49	–	–	2,859	2,112
67.4%	69.9%	61.7%	60.3%	nm	nm	n/a	n/a	68.3%	70.3%
27.1%	27.4%	38.9%	38.4%	nm	nm	n/a	n/a	27.2%	28.0%
94.5%	97.2%	100.7%	98.7%	nm	nm	n/a	n/a	95.5%	98.4%

Consolidated financial statements *continued*

Table 28.5

General Insurance – Revenues by region

in USD millions, for the years ended December 31	Gross written premiums and policy fees from external customers		of which Global Corporate	
	2013	2012	**2013**	2012
North America				
United States	12,736	12,223		
Canada	904	928		
Bermuda	11	10		
North America	13,651	13,160	3,632	3,343
Europe				
United Kingdom	3,920	3,899		
Germany	3,134	3,110		
Switzerland	3,330	3,243		
Italy	1,896	1,879		
Spain	1,398	1,438		
Austria	595	544		
Ireland	357	376		
Portugal	326	339		
France	433	410		
Rest of Europe	1,088	1,049		
Europe	16,477	16,287	4,555	4,279
Latin America				
Argentina	422	393		
Brazil	1,112	920		
Chile	324	470		
Mexico	685	600		
Venezuela	287	257		
Rest of Latin America	33	34		
Latin America	2,864	2,674	–	–
Asia-Pacific				
Australia	1,163	1,178		
Hong Kong	246	210		
Japan	702	780		
Taiwan	130	129		
Malaysia	176	156		
Rest of Asia-Pacific	279	264		
Asia-Pacific	2,695	2,717	601	581
Middle East	191	183	140	121
Africa				
South Africa	427	460		
Morocco	131	125		
Africa	558	585	37	19
Total	**36,436**	**35,607**	**8,965**	**8,342**

Table 28.6

General Insurance – Non-current assets by region

in USD millions, as of December 31	Property, equipment and intangible assets	
	2013	2012
North America		
United States	228	223
Canada	8	4
Bermuda	21	24
North America	257	252
Europe		
United Kingdom	244	213
Germany	224	210
Switzerland	609	593
Italy	30	34
Spain	349	346
Austria	23	24
Ireland	59	56
Portugal	23	22
France	2	2
Rest of Europe	224	501
Europe	1,787	2,001
Latin America		
Argentina	15	11
Brazil	221	234
Chile	29	34
Mexico	254	263
Venezuela	14	16
Rest of Latin America	1	5
Latin America	534	561
Asia-Pacific		
Australia	58	74
Hong Kong	14	13
Japan	22	27
Taiwan	14	9
Malaysia	1	1
Rest of Asia-Pacific	3	4
Asia-Pacific	113	128
Middle East	53	43
Africa		
South Africa	11	15
Morocco	32	32
Africa	43	46
Total	**2,787**	**3,032**

Consolidated financial statements *continued*

Global Life – Overview

Table 28.7

in USD millions, for the years ended December 31	North America		Latin America	
	2013	2012	**2013**	2012
Revenues				
Life insurance deposits	264	235	1,937	2,508
Gross written premiums[1]	548	526	3,230	2,982
Policy fees	310	297	76	24
Gross written premiums and policy fees	858	823	3,307	3,005
Net earned premiums and policy fees	652	611	2,920	2,686
Net investment income on Group investments	288	312	278	254
Net capital gains/(losses) and impairments on Group investments	–	–	12	272
Net investment result on Group investments	288	312	290	526
Net investment income on unit-linked investments	(29)	(34)	14	9
Net capital gains/(losses) and impairments on unit-linked investments	100	59	577	1,166
Net investment result on unit-linked investments	71	24	591	1,175
Other income	86	92	194	83
Total BOP revenues	1,098	1,039	3,995	4,470
Benefits, losses and expenses				
Insurance benefits and losses, net[1]	390	350	1,307	1,404
Policyholder dividends and participation in profits, net	93	48	611	1,196
Income tax expense/(benefit) attributable to policyholders	–	–	–	–
Underwriting and policy acquisition costs, net	104	97	996	964
Administrative and other operating expense (excl. depreciation/amortization)	154	141	458	365
Interest credited to policyholders and other interest	152	147	9	36
Restructuring provisions and other items not included in BOP	(2)	(1)	31	7
Total BOP benefits, losses and expenses	891	783	3,413	3,972
Business operating profit (before interest, depreciation and amortization)	**207**	**257**	**582**	**498**
Depreciation and impairments of property and equipment	1	1	4	3
Amortization and impairments of intangible assets	31	9	124	223
Interest expense on debt	3	4	–	(6)
Business operating profit before non-controlling interests	173	243	455	277
Non-controlling interests	–	–	210	122
Business operating profit	**173**	**243**	**245**	**155**

[1] Europe includes approximately USD 521 million and USD 603 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in the Group's Spanish operations for the years ended December 31, 2013 and 2012, respectively (see note 3).

Europe		Asia-Pacific and Middle East		Other		Eliminations		Total	
2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
8,520	11,685	1,634	1,636	824	605	–	–	13,180	16,670
6,628	6,820	759	721	297	137	(111)	(40)	11,352	11,145
1,969	1,928	200	191	9	5	–	–	2,564	2,445
8,597	8,748	959	912	306	142	(111)	(40)	13,916	13,590
8,204	8,405	825	786	251	133	–	–	12,852	12,621
3,176	3,225	140	188	13	11	(1)	–	3,895	3,991
563	552	20	18	–	–	–	–	595	842
3,739	3,778	160	206	13	11	(1)	–	4,489	4,833
1,943	2,009	71	79	29	32	–	–	2,027	2,095
9,310	5,529	655	682	61	98	–	–	10,704	7,534
11,253	7,538	726	761	90	131	–	–	12,731	9,629
368	332	202	190	309	357	(3)	(6)	1,156	1,047
23,564	20,052	1,912	1,943	663	631	(4)	(6)	31,229	28,128
7,055	7,480	248	293	167	64	–	–	9,167	9,592
12,158	8,404	869	919	88	139	–	–	13,820	10,706
270	170	16	25	–	–	–	–	285	194
1,542	1,401	197	204	164	138	–	–	3,003	2,804
1,274	1,404	470	328	303	292	(4)	(6)	2,653	2,523
235	192	23	27	1	1	–	–	420	403
(47)	(114)	(8)	7	(63)	(13)	–	–	(88)	(113)
22,485	18,936	1,815	1,802	661	622	(4)	(6)	29,261	26,109
1,079	**1,115**	**98**	**141**	**2**	**9**	**–**	**–**	**1,968**	**2,020**
27	21	6	6	–	–	–	–	38	32
234	242	11	1	6	7	–	–	405	483
14	21	1	1	3	2	–	–	21	22
803	831	80	133	(7)	–	–	–	1,504	1,484
25	12	(2)	(2)	–	–	–	–	233	133
778	**819**	**83**	**134**	**(7)**	**–**	**–**	**–**	**1,272**	**1,351**

Consolidated financial statements *continued*

Table 28.8

Global Life – Revenues by region

in USD millions, for the years ended December 31	Gross written premiums and policy fees from external customers		Life insurance deposits	
	2013	2012	**2013**	**2012**
North America				
United States	858	823	264	235
North America	858	823	264	235
Latin America				
Chile	1,102	900	50	–
Argentina	133	78	50	47
Mexico	382	352	250	–
Venezuela	60	65	–	–
Brazil	1,624	1,606	1,586	2,462
Uruguay	6	5	–	–
Latin America	3,307	3,005	1,937	2,508
Europe				
United Kingdom	1,883	1,773	2,765	6,339
Germany	2,837	2,920	1,827	1,966
Switzerland	1,649	2,047	133	141
Ireland[1]	729	479	2,902	2,497
Spain	841	906	70	163
Italy	426	408	684	488
Portugal	27	30	83	42
Austria	151	135	55	49
Europe	8,542	8,698	8,520	11,685
Asia-Pacific and Middle East				
Hong Kong	121	86	112	133
Taiwan	–	–	4	3
Indonesia	4	1	–	–
Australia	329	332	75	83
Japan	81	99	16	21
Singapore	1	–	5	2
Malaysia	195	263	49	–
Zurich International Life[2]	204	130	1,372	1,395
Asia-Pacific and Middle East	935	912	1,634	1,636
Other				
Luxembourg[1]	9	5	824	605
International Group Risk Solutions[3]	191	92	–	–
Other	200	97	824	605
Total	**13,842**	**13,535**	**13,180**	**16,670**

[1] Includes business written under freedom of services and freedom of establishment in Europe.
[2] Mainly includes business written through licenses into Asia-Pacific and Middle East.
[3] Includes business written through licenses into all regions.

Global Life – Non-current assets by region

Table 28.9

in USD millions, as of December 31	Property, equipment and intangible assets	
	2013	2012
North America		
United States	161	165
North America	161	165
Latin America		
Chile	403	472
Argentina	72	96
Mexico	232	256
Brazil	804	965
Latin America	1,510	1,789
Europe		
United Kingdom	414	426
Germany	717	743
Switzerland	76	81
Ireland[1]	4	2
Spain	1,741	1,759
Italy	106	122
Austria	32	32
Europe	3,091	3,164
Asia-Pacific and Middle East		
Hong Kong	6	7
Indonesia	3	3
Japan	9	3
Singapore	3	1
Malaysia	46	124
Zurich International Life	17	20
Asia-Pacific and Middle East	84	158
Other		
Luxembourg[1]	3	4
Other	3	4
Total	**4,849**	**5,280**

[1] Includes assets relating to business written under freedom of services and freedom of establishment in Europe.

Consolidated financial statements *continued*

Farmers – Overview

Table 28.10

in USD millions, for the years ended December 31	Total 2013	2012
Farmers Management Services		
Management fees and other related revenues	2,810	2,846
Management and other related expenses	1,457	1,480
Gross management result	1,353	1,366
Other net income (excl. items not included in BOP)	38	62
Business operating profit before non-controlling interest	1,390	1,428
Business operating profit	1,390	1,428
Farmers Re		
Gross written premiums and policy fees	4,045	4,361
Net earned premiums and policy fees	4,099	4,418
Insurance benefits and losses, net	(2,823)	(3,198)
Total net technical expenses	(1,285)	(1,383)
Net underwriting result	(9)	(163)
Net non-technical result (excl. items not relevant for BOP)	68	65
Net investment income	66	72
Business operating profit before non-controlling interests	125	(26)
Business operating profit	125	(26)
Farmers business operating profit	**1,516**	**1,402**

Ratios, as % of net earned premiums and policy fees		
Farmers Re Combined ratio	100.2%	103.7%

Supplementary information		
Property, equipment and intangible assets	2,412	2,403

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Consolidated financial statements *continued*

Other Operating Businesses – Overview

Table 28.11

in USD millions, for the years ended December 31	Holding and Financing	
	2013	2012
Gross written premiums and policy fees	102	108
Net earned premiums and policy fees	47	58
Net investment income	284	362
Other income	86	85
Total BOP revenues	417	506
Insurance benefits and losses, incl. PH dividends, net	50	57
Administrative and other operating expense (excl. depreciation/amortization)	237	169
Other expenses and items not included in BOP	(55)	(14)
Depreciation, amortization and impairments of property, equipment and intangible assets	–	8
Interest expense on debt	1,045	1,042
Business operating profit before non-controlling interests	(859)	(757)
Non-controlling interests	(16)	(22)
Business operating profit	**(843)**	**(735)**

Headquarters		Eliminations		Total	
2013	2012	**2013**	2012	**2013**	2012
7	8	–	–	109	116
8	8	–	–	54	66
36	39	(6)	(5)	315	396
860	1,015	(217)	(169)	730	931
904	1,062	(222)	(175)	1,099	1,393
(1)	(1)	–	–	49	56
972	1,154	(216)	(169)	993	1,155
(3)	(4)	–	–	(58)	(18)
130	86	–	–	130	94
1	2	(6)	(6)	1,040	1,038
(196)	(175)	–	–	(1,056)	(932)
–	–	–	–	(16)	(22)
(196)	**(175)**	**–**	**–**	**(1,039)**	**(910)**

Financial information

Consolidated financial statements *continued*

Non-Core Businesses – Overview

Table 28.12

in USD millions, for the years ended December 31	Total	
	2013	2012
Gross written premiums and policy fees	535	475
Net earned premiums and policy fees	504	455
Insurance benefits and losses, net	(162)	380
Policyholder dividends and participation in profits, net	121	694
Total net technical expenses	44	56
Net underwriting result	501	(675)
Net investment income	(1)	138
Net capital gains/(losses) and impairments on investments	(365)	816
Net non-technical result (excl. items not included in BOP)	(64)	(150)
Business operating profit before non-controlling interests	**72**	**129**
Non-controlling interests	–	1
Business operating profit	**73**	**129**

29. Interests in subsidiaries

Significant subsidiaries

Table 29.1

as of December 31, 2013	Domicile	Segment[1]	Voting rights %	Ownership interest %	Nominal value of common stock (in local currency millions)	
Australia						
Zurich Australia Limited	Sydney	Global Life	100	100	AUD	0.5
Zurich Australian Insurance Limited	Sydney	General Insurance	100	100	AUD	6.6
Austria						
Zürich Versicherungs-Aktiengesellschaft	Vienna	General Insurance/ Global Life	99.98	99.98	EUR	12.0
Bermuda						
Centre Group Holdings Limited	Hamilton	Non-Core Businesses	100	100	USD	0.3
CMSH Limited	Hamilton	Non-Core Businesses	100	100	USD	0.3
Zurich International (Bermuda) Ltd.	Hamilton	General Insurance	100	100	USD	9.9
Brazil						
Zurich Santander Brasil Seguros e Previdência S.A.	Sao Paulo	Global Life	51	51	BRL	1,659.2
Zurich Minas Brasil Seguros S.A.	Belo Horizonte	General Insurance/ Global Life	100	100	BRL	1,312.4
Chile						
Chilena Consolidada Seguros de Vida S.A.	Santiago	Global Life	98.98	98.98	CLP	24,484.0
Zurich Santander Seguros de Vida Chile S.A.	Santiago	Global Life	51	51	CLP	100,707.5
Cyprus						
Zurich Insurance Holding (Cyprus) Ltd.[3]	Nicosia	General Insurance	100	100	RUB	7.4
Germany						
Deutscher Herold Aktiengesellschaft[4]	Bonn	Global Life	79.83	79.83	EUR	18.4
Zürich Beteiligungs-Aktiengesellschaft (Deutschland)	Frankfurt	General Insurance	100	100	EUR	152.9
Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft	Bonn	Global Life	86.37	86.37	EUR	68.5
Ireland						
Zurich Life Assurance plc	Dublin	Global Life	100	100	EUR	17.5
Zurich Financial Services EUB Holdings Limited	Dublin	Non-Core Businesses	100	100	GBP	0.001
Zurich Insurance plc	Dublin	General Insurance	100	100	EUR	8.2
Zurich Holding Ireland Limited	Dublin	Other Operating Businesses	100	100	EUR	0.1
Italy						
Zurich Investments Life S.p.A.	Milan	Global Life	100	100	EUR	164.0
Zurich Life and Pensions S.p.A.	Milan	Global Life	100	100	EUR	40.5
Zurich Life Insurance Italia S.p.A.	Milan	Global Life	100	100	EUR	85.8
Luxembourg						
Zurich Eurolife S.A.	Bertrange	Global Life	100	100	EUR	12.0
Malaysia						
Zurich Insurance Malaysia Berhad	Kuala Lumpur	General Insurance/ Global Life	100	100	MYR	579.0

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Significant subsidiaries (continued)

Table 29.1
as of December 31, 2013

	Domicile	Segment[1]	Voting rights %	Ownership interest %	Nominal value of common stock (in local currency millions)	
Mexico						
Zurich Santander Seguros México, S.A.	Mexico City	General Insurance/ Global Life	51	51	MXN	190.0
South Africa						
Zurich Insurance Company South Africa Limited[5]	Johannesburg	General Insurance	84.05	84.05	ZAR	3.0
Spain						
Bansabadell Pensiones, E.G.F.P, S.A.[2]	Barcelona	Global Life	50	50	EUR	7.8
Bansabadell Seguros Generales, S.A. de Seguros y Reaseguros[2]	Barcelona	General Insurance	50	50	EUR	10.0
Bansabadell Vida S.A. de Seguros y Reaseguros[2]	Barcelona	Global Life	50	50	EUR	43.9
Zurich Latin America Holding S.L. – Sociedad Unipersonal	Barcelona	Other Operating Businesses	100	100	EUR	43.0
Zurich Santander Holding (Spain), S.L.	Madrid	Global Life	51	51	EUR	94.3
Zurich Santander Holding Dos (Spain), S.L.	Madrid	Global Life	51	51	EUR	40.0
Zurich Santander Insurance America, S.L.	Madrid	Global Life	51	51	EUR	177.0
Zurich Vida, Compañía de Seguros y Reaseguros, S.A. – Sociedad Unipersonal	Madrid	Global Life	100	100	EUR	56.4
Switzerland						
Genevoise Real Estate Company Ltd	Geneva	Global Life	100	100	CHF	20.4
Zurich Insurance Company Ltd[6]	Zurich	Other Operating Businesses	100	100	CHF	825.0
Zurich Life Insurance Company Ltd[7]	Zurich	Other Operating Businesses	100	100	CHF	60.0
Zurich Investment Management AG	Zurich	Other Operating Businesses	100	100	CHF	10.0
Taiwan						
Zurich Insurance (Taiwan) Ltd.	Taipei	General Insurance	99.73	99.73	TWD	2,000.0
Turkey						
Zurich Sigorta A.S.	Istanbul	General Insurance	100	100	TRY	168.9
United Kingdom						
Allied Zurich Holdings Limited	Jersey, Channel Islands	Other Operating Businesses	100	100	GBP	90.7
Zurich Assurance Ltd	Swindon, England	Global Life	100	100	GBP	236.1
Zurich Financial Services (UKISA) Limited	Swindon, England	Other Operating Businesses	100	100	GBP	1,652.1
Zurich Holdings (UK) Limited	Fareham, England	Other Operating Businesses	100	100	GBP	137.3
Zurich International Life Limited	Douglas, Isle of Man	Global Life	100	100	GBP	105.6

Significant subsidiaries (continued)

Table 29.1

as of December 31, 2013	Domicile	Segment[1]	Voting rights %	Ownership interest %		Nominal value of common stock (in local currency millions)
United States of America						
Farmers Group, Inc.[8]	Reno, NV	Farmers	100	100	USD	0.001
Farmers New World Life Insurance Company[8]	Mercer Island, WA	Global Life	100	100	USD	6.6
Farmers Reinsurance Company[8]	Los Angeles, CA	Farmers	100	100	USD	58.8
Farmers Services LLC[9]	Wilmington, DE	Farmers	100	100	USD	–
Zurich American Corporation	Wilmington, DE	Non-Core Businesses	100	100	USD	0.00001
Zurich American Life Insurance Company	Schaumburg, IL	Global Life/ Non-Core Businesses	100	100	USD	2.5
ZFS Finance (USA) LLC V[9]	Wilmington, DE	Other Operating Businesses	100	100	USD	–
Zurich American Insurance Company (and subsidiaries)	New York, NY	General Insurance	100	100	USD	5.0
Zurich Finance (USA), Inc.	Wilmington, DE	Other Operating Businesses	100	100	USD	0.000001
Zurich Holding Company of America, Inc.[10]	Wilmington, DE	Other Operating Businesses	100	100	USD	–

1 The segments are defined in note 28.
2 Relates to Bansabadell insurance entities which are controlled by the Group.
3 Zurich Insurance Holding (Cyprus) Limited indirectly holds 99.9% of Zurich Insurance Company Limited in Russia which is a wholly owned subsidiary of the Zurich Insurance Group.
4 In addition, buyout options exist which allow the minority shareholders to sell 15.17 percent of the shares of Deutscher Herold Aktiengesellschaft to the Zurich Insurance Group.
5 Listed on the Johannesburg Stock Exchange. On December 31, 2013, the company had a market capitalization of ZAR 3.2 billion (ISIN Number ZAE000094496).
6 The results of the operating activities are included in the General Insurance, Global Life and Farmers segments, whereas the headquarter's activities are included in Other Operating Businesses.
7 The results of the operating activities are included in the Global Life segment, whereas the headquarter's activities are included in Other Operating Businesses.
8 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.
9 These entities are LLCs and have no share capital.
10 Shares have no nominal value in accordance with the company's articles of incorporation and local legislation.

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, certain protective rights exist, amongst others around liquidation, material sale of assets, transactions impacting 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.

Consolidated financial statements *continued*

Table 29.2 shows the summarized financial information for each subsidiary that has non-controlling interests that are material to the Group.

Non-controlling interests

Table 29.2

in USD millions, as of December 31	Zurich Santander Insurance America, S.L. and its subsidiaries		Bansabadell insurance entities	
	2013	2012	**2013**	2012
Non-controlling interest percentage	49%	49%	50%	50%
Total investments	11,527	13,407	7,749	7,394
Other assets	4,460	3,917	2,750	2,708
Insurance and investment contracts liabilities[1]	12,256	13,190	7,944	7,572
Other liabilities	1,752	1,800	626	637
Net assets	**1,979**	2,334	**1,929**	1,893
Non-controlling interests in net assets	**970**	1,144	**965**	947
Total revenues	2,643	3,647	1,197	1,089
Net income after taxes	349	213	33	14
Other comprehensive income	(328)	(22)	93	51
Total comprehensive income	**22**	192	**126**	65
Non-controlling interests in total comprehensive income	**11**	94	**63**	33
Dividends paid to non-controlling interests	181	6	44	26

[1] Includes reserves for premium refunds, liabilities for investment contracts, deposits received under ceded reinsurance contracts, deferred front-end fees and reserves for insurance contracts.

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Report of the statutory auditor

Report of the Statutory Auditor

To the General Meeting of Zurich Insurance Group Ltd

Report of the statutory auditor on the Consolidated financial statements

As statutory auditor, we have audited the Consolidated financial statements of Zurich Insurance Group Ltd, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity, and notes (pages 128 to 168 and 181 to 301), for the year ended December 31, 2013.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation of the Consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of Consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these Consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the Consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the Consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the Consolidated financial statements for the year ended December 31, 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

Richard Burger	Stephen O'Hearn
Audit expert	Global relationship partner
Auditor in charge	

Zurich, February 12, 2014

Embedded value report

Zurich produces and reports embedded value in accordance with the Market Consistent Embedded Value (MCEV) Principles and Guidance issued by the European Insurance CFO Forum (CFO Forum) in October 2009 to provide an economic view of the value of the life business to shareholders and to support financial management and strategic decision making. This report provides an overview of the movement in the MCEV over the calendar year 2013 and new business value added from new sales during the year, including further splits into constituent parts and geographical regions.

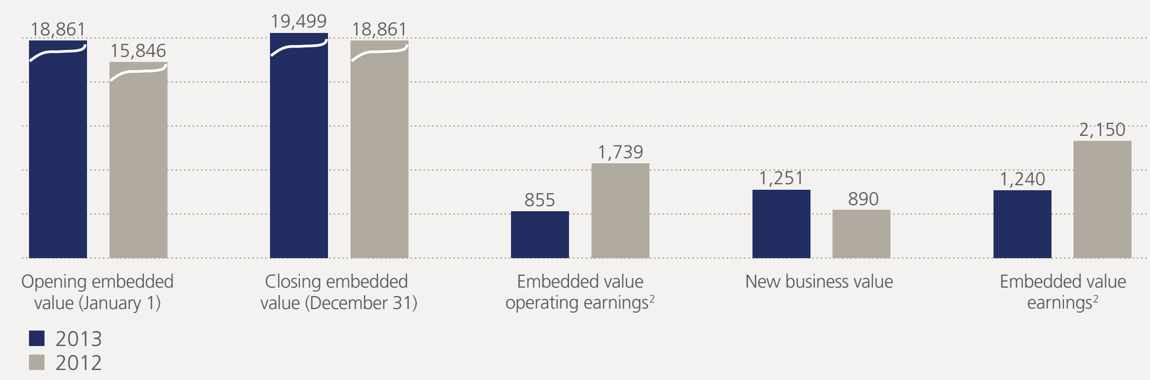
Contents

This report describes the development of embedded value of the Zurich Insurance Group (the Group) for the year ended December 31, 2013.

The majority of this report, sections 1 to 10, relates to Global Life, but summary information relating to total Group MCEV is given in section 11.

Embedded value report – executive summary

Key results
in USD millions, for the years ended December 31



Embedded value key results

in USD millions, for the years ended December 31	2013[1]	2012[1]	Change
Opening embedded value	18,861	15,846	3,016
Closing embedded value	19,499	18,861	638
Embedded value operating earnings[2]	855	1,739	(883)
of which new business value	*1,251*	*890*	*361*
Embedded value earnings[2]	1,240	2,150	(910)

[1] As of December 31, 2012, Zurich Santander businesses were included in embedded value. New business for 2012 did not include Zurich Santander or new operations in Asia. See Annual Report 2012 for details.
[2] Embedded value operating earnings and embedded value earnings are gross of new business value non-controlling interests. Net of new business value non-controlling interests, embedded value operating earnings is reduced to USD 665 million and USD 1,693 million in 2013 and 2012, respectively, and embedded value earnings is reduced to USD 1,049 million and USD 2,104 million in 2013 and 2012, respectively. New business value non-controlling interests was USD 190 million and USD 46 million in 2013 and 2012, respectively.

Embedded value operating earnings were USD 855 million. The earnings were negatively impacted by management changes to expense methodology, most of the impact of which is reflected in development expenses. The earnings included USD 689 million of expected emergence of value from business in-force and USD 1,251 million of new business value, offset by USD 1,084 million of operating variances.

New business value of USD 1,251 million increased by USD 361 million or 41 percent compared with 2012. Including the new business value of USD 195 million, not reflected in the 2012 results, for the insurance businesses acquired from Banco Santander S.A. (Zurich Santander) and Zurich Insurance Malaysia Berhad (ZIMB) and excluding the impact in 2012 from the Social Security business in Chile, new business value increased by USD 185 million or 20 percent on a local currency basis. This increase was driven by generally improved volumes and profitability in some European and Asia-Pacific and Middle East markets.

Embedded value earnings were USD 1,240 million. The earnings were negatively impacted, as noted above for embedded value operating earnings, by management changes to expense methodology.

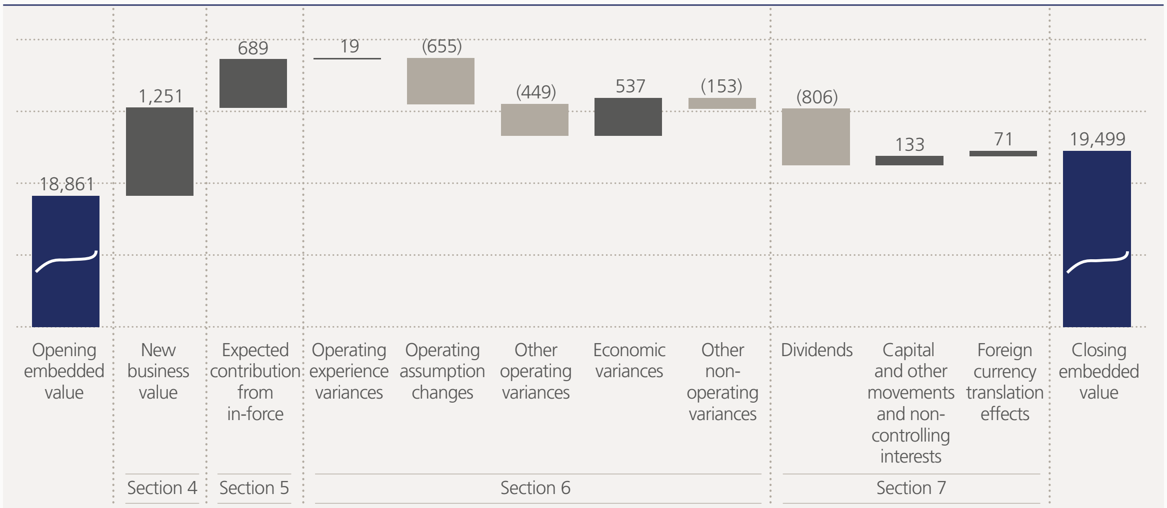
Embedded value report *continued*

1. Analysis of embedded value earnings

The graph and table below show how embedded value has increased from USD 18,861 million to USD 19,499 million during 2013. Each movement is described in its own section of the report, as detailed on the graph below.

Embedded value development

in USD millions, for the year ended December 31, 2013

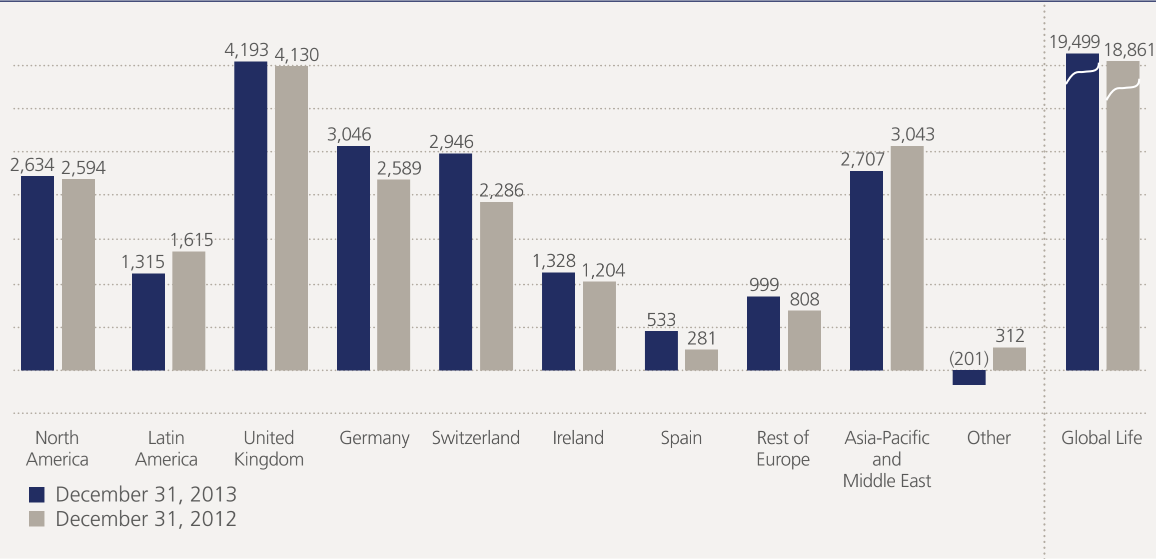


Analysis of embedded value earnings

in USD millions, for the years ended December 31	2013					2012
	Required capital	Free surplus	Share-holders' net assets	Value of business in-force	Total	Total
Opening embedded value	**5,222**	**2,280**	**7,502**	**11,359**	**18,861**	**15,846**
Dividends in the first six months of the year[1]	–	(465)	**(465)**	**–**	**(465)**	**(534)**
Capital and other movements in the first six months of the year[1]	(56)	259	**204**	**(88)**	**116**	
New business value[2]	**851**	**(1,626)**	**(776)**	**2,026**	**1,251**	**890**
New business value net of non-controlling interests	*677*	*(1,400)*	*(723)*	*1,783*	*1,060*	*844*
Expected contribution at reference rate	22	102	**124**	**75**	**199**	**274**
Expected contribution in excess of reference rate	22	156	**178**	**312**	**491**	**680**
Expected transfer to shareholders' net assets	(419)	1,674	**1,254**	**(1,254)**	**–**	**–**
Operating experience variances	28	56	**84**	**(65)**	**19**	**(220)**
Operating assumption changes	147	(90)	**58**	**(712)**	**(655)**	**(226)**
Other operating variances	(361)	370	**9**	**(458)**	**(449)**	**342**
Embedded value operating earnings[2]	**289**	**642**	**932**	**(76)**	**855**	**1,739**
Economic variances	1	287	**288**	**249**	**537**	**405**
Other non-operating variances	241	(249)	**(8)**	**(144)**	**(153)**	**6**
Embedded value earnings[2]	**531**	**680**	**1,211**	**29**	**1,240**	**2,150**
Dividends in the last six months of the year[1]	–	(342)	**(342)**	**–**	**(342)**	**1,059**
Capital and other movements in the last six months of the year[1]	75	120	**195**	**13**	**208**	
New business value non-controlling interests	(174)	227	**53**	**(243)**	**(190)**	**(46)**
Foreign currency translation effects	(29)	30	**1**	**71**	**71**	**387**
Closing embedded value	**5,569**	**2,790**	**8,359**	**11,140**	**19,499**	**18,861**

[1] In 2012 dividends included capital and other movements.
[2] Embedded value operating earnings and embedded value earnings are gross of new business value non-controlling interests. Net of new business value non-controlling interests, embedded value operating earnings is reduced to USD 665 million and USD 1,693 million in 2013 and 2012, respectively, and embedded value earnings is reduced to USD 1,049 million and USD 2,104 million in 2013 and 2012, respectively. New business value non-controlling interests was USD 190 million and USD 46 million in 2013 and 2012, respectively.

Embedded value by geographical region
in USD millions



In **North America**, embedded value increased by USD 40 million, as operating earnings were partially offset by operating assumption changes.

In **Latin America**, embedded value decreased by USD 300 million mainly as a result of a change in the valuation interest rate used in Chile, exchange rate impacts and management changes to expense methodology.

In the **UK**, embedded value increased by USD 63 million, with contributions from new business value being partially offset by negative economic variances.

In **Germany**, embedded value increased by USD 457 million mainly driven by modeling changes, profits from companies outside the main life insurance entity, exchange rate impacts and other economic impacts.

In **Switzerland**, embedded value increased by USD 660 million as a result of strong operating earnings and positive economic variances that were partially offset by dividend payments.

In **Ireland**, a stable new business value, positive economic variances and exchange rate impacts were the main contributors to the increase in embedded value of USD 124 million.

In **Spain**, embedded value increased by USD 252 million as a result of continued strong new business performance and positive economic variances.

In the **Rest of Europe**, embedded value increased by USD 191 million, mainly from positive economic variances in Italy partially offset by dividend payments.

In **Asia-Pacific and Middle East**, embedded value decreased by USD 336 million mainly as a result of assumption changes and management changes to expense methodology.

In **Other**, embedded value decreased by USD 513 million, mainly as a result of management changes to expense methodology. Of this reduction, USD 173 million resulted from expenses charged against the shareholders' net assets of Global Life's central unit during the year ended December 31, 2013, and USD 347 million from the capitalized value of certain central overhead expenses now treated as a recurring maintenance expense, charged against the value of business in-force in Global Life's central unit.

Embedded value report *continued*

2. Free surplus

Required capital is the amount of shareholders' net assets required to cover the target capital requirement, covering both minimum solvency margin and target excess solvency margin. Free surplus is shareholders' net assets less required capital.

Shareholders' net assets

in USD millions, as of December 31	2013				2012
	Shareholders' net assets	Required capital	Required capital (% SM)[1]	Free surplus	Free surplus
North America	605	545	355%	59	(53)
Latin America	975	502	110%	473	593
of which:					
Zurich Santander	*497*	*243*	*119%*	*254*	*360*
Europe	5,701	3,585	136%	2,116	1,288
United Kingdom	*1,599*	*906*	*138%*	*693*	*(3)*
Germany	*1,983*	*902*	*130%*	*1,081*	*1,167*
Switzerland	*627*	*467*	*146%*	*160*	*13*
Ireland	*493*	*419*	*150%*	*73*	*36*
Spain	*308*	*344*	*125%*	*(35)*	*(83)*
Rest of Europe	*691*	*547*	*130%*	*144*	*159*
Asia-Pacific and Middle East	1,172	837	135%	334	400
Other	(93)	100	145%	(193)	53
Global Life	**8,359**	**5,569**	**141%**	**2,790**	**2,280**

[1] SM is the local minimum solvency margin.

In **North America**, free surplus increased by USD 113 million mainly as a result of a change in reinsurance arrangements.

In **Latin America**, free surplus decreased by USD 120 million mainly as a result of dividend payments.

In the **UK**, free surplus increased by USD 697 million mainly due to expected transfer of profits from business in-force exceeding the strain of writing new business and changes to the treatment of internal reinsurance.

In **Germany**, expected transfer of profits from business in-force was more than offset by adverse development of assets held outside the main life insurance entities and, in total, free surplus decreased by USD 87 million.

In **Switzerland**, expected transfer of profits from business in-force and improved economic conditions increased free surplus by USD 437 million, which were offset by dividend payments and other variances.

In **Ireland**, free surplus increased by USD 38 million as a result of the expected transfer of profits from business in-force exceeding the strain of writing new business.

In **Spain**, free surplus increased mainly due to positive economic variances and expected contribution from in-force, partially offset by dividend payments.

In **Rest of Europe**, free surplus decreased by USD 14 million. The main drivers were dividend payments, offset by positive economic variances.

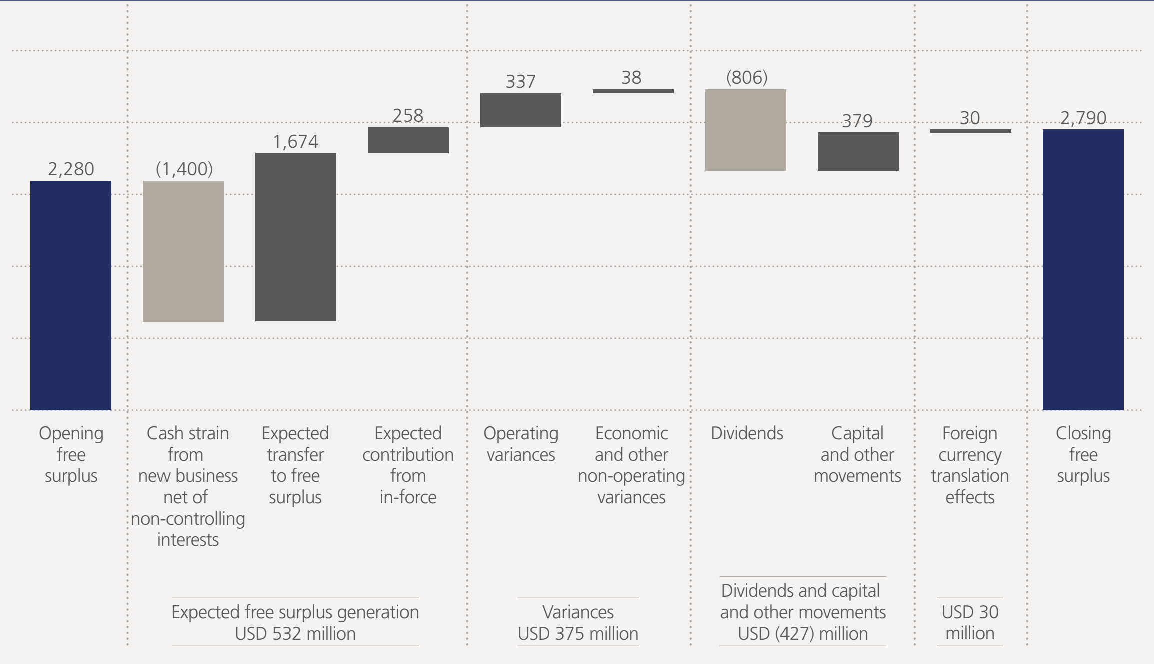
In **Asia-Pacific and Middle East**, free surplus decreased by USD 65 million due to various operating variances exceeding capital injections into the region.

In **Other**, free surplus decreased by USD 247 million due to expenses charged to Global Life's central unit, in part resulting from management changes to expense methodology, and dividend payments made to the Group.

3. Analysis of free surplus generation

The graph below shows how the free surplus value has increased from USD 2,280 million to USD 2,790 million during 2013.

Free surplus development
in USD millions, for the year ended December 31, 2013



Expected free surplus generation includes cash strain from new business net of non-controlling interests, expected transfer to free surplus and expected contribution from in-force to free surplus. This was USD 532 million in 2013. The cash strain on new business of USD 1,400 million results from the combination of initial cash consumption of USD 723 million and the increase in required capital of USD 677 million. The expected transfer to shareholders' net assets increased free surplus by USD 1,674 million and was driven by expected profits of USD 1,254 million and the release of required capital of USD 419 million. The expected contribution from in-force to free surplus was USD 258 million.

Variances arising on operating and economic assumptions increased free surplus by USD 375 million. Variances represent the difference between actual experience during the period and that implied by assumptions on the emergence of free surplus, and actual market development over the period.

Dividends and capital and other movements decreased free surplus by USD 427 million as dividends of USD 806 million paid to the Group exceeded capital and other movements of USD 379 million into the life business.

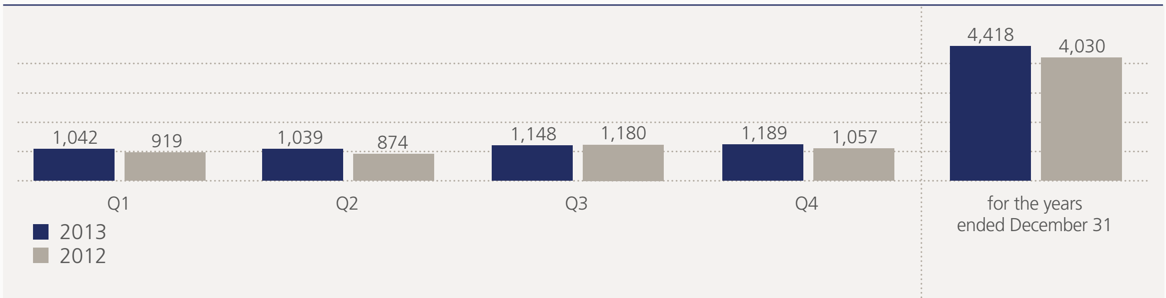
Foreign currency translation effects increased the U.S. dollar free surplus by USD 30 million.

Embedded value report *continued*

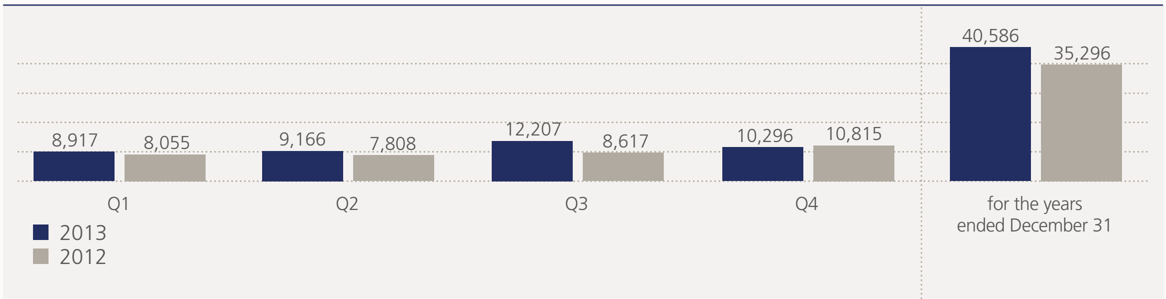
4. New business[1]

Global Life

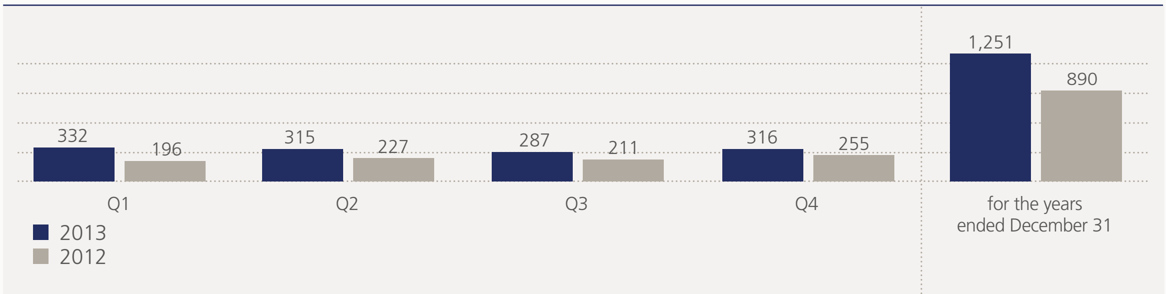
Annual premium equivalent (APE)
in USD millions



Present value of new business premiums (PVNBP)
in USD millions

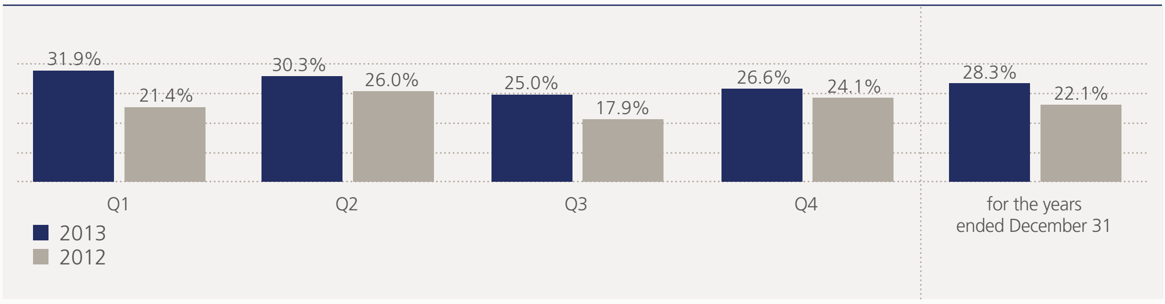


New business value
in USD millions

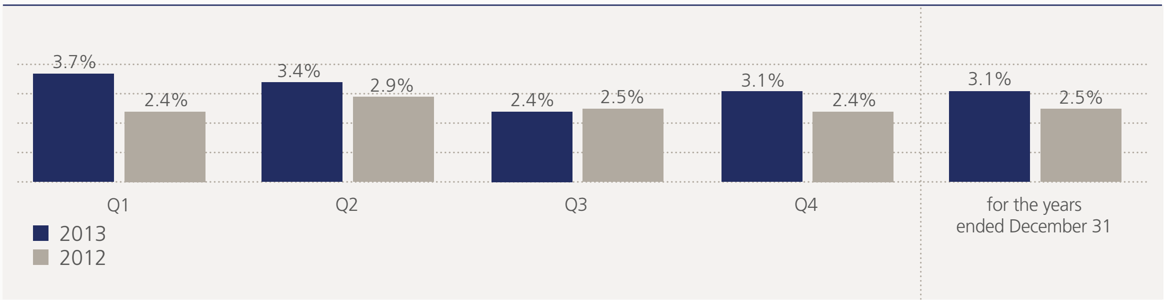


[1] New business for 2012 did not include Zurich Santander or Zurich Insurance Malaysia Berhad (ZIMB). The new business value from Zurich Santander and ZIMB for 2012 was USD 195 million.

New business margin (%APE)
in percent



New business margin (%PVNBP)
in percent



New business by quarter

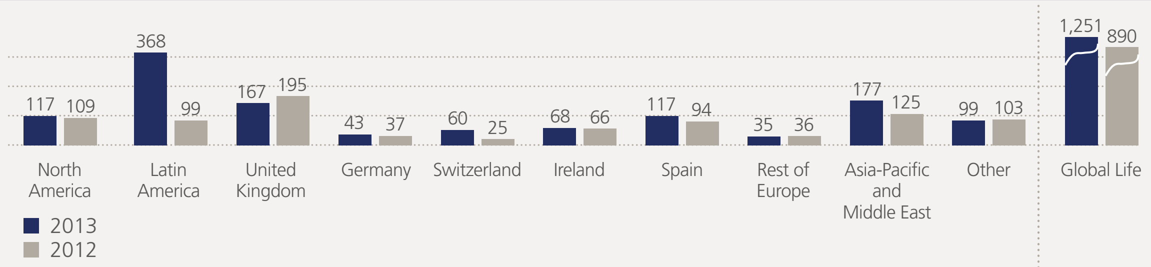
in USD millions	2013					2012				
	Q1	Q2	Q3	Q4	Q4 YTD	Q1	Q2	Q3	Q4	Q4 YTD
Annual premium equivalent (APE)[1]	**1,042**	**1,039**	**1,148**	**1,189**	**4,418**	**919**	**874**	**1,180**	**1,057**	**4,030**
New annual premiums	684	706	783	807	2,981	582	529	906	661	2,677
New single premiums	3,583	3,330	3,649	3,816	14,378	3,371	3,451	2,741	3,964	13,527
Present value of new business premiums (PVNBP)[2]	8,917	9,166	12,207	10,296	40,586	8,055	7,808	8,617	10,815	35,296
Average annual premium multiplier	7.8	8.3	10.9	8.0	8.8	8.1	8.2	6.5	10.4	8.1
New business value	**332**	**315**	**287**	**316**	**1,251**	**196**	**227**	**211**	**255**	**890**
New business margin (% of APE)	**31.9%**	**30.3%**	**25.0%**	**26.6%**	**28.3%**	**21.4%**	**26.0%**	**17.9%**	**24.1%**	**22.1%**
New business margin (% of PVNBP)	**3.7%**	**3.4%**	**2.4%**	**3.1%**	**3.1%**	**2.4%**	**2.9%**	**2.5%**	**2.4%**	**2.5%**

[1] APE is measured as new annual premiums plus 10 percent of new single premiums.
[2] PVNBP is measured as new single premiums plus the present value of new annual premiums.

Embedded value report *continued*

Geographical region

New business value by geographical region
in USD millions, for the years ended December 31



New business by geographical region

in USD millions, for the years ended December 31	APE		PVNBP		New business value		New business margin % of APE		New business margin % of PVNBP	
	2013	2012[1]	**2013**	2012[1]	**2013**	2012[1]	**2013**	2012[1]	**2013**	2012[1]
North America	162	125	1,406	1,227	117	109	72.4%	87.1%	8.3%	8.9%
Latin America	1,178	755	6,158	2,458	368	99	31.2%	13.2%	6.0%	4.0%
of which:										
Zurich Santander	*821*	–	*4,381*	–	*268*	–	*32.6%*	–	*6.1%*	–
Europe	2,376	2,538	27,751	26,998	490	453	20.6%	17.9%	1.8%	1.7%
United Kingdom	*1,019*	*1,194*	*15,422*	*14,112*	*167*	*195*	*16.4%*	*16.4%*	*1.1%*	*1.4%*
Germany	*363*	*453*	*2,937*	*4,503*	*43*	*37*	*11.8%*	*8.2%*	*1.5%*	*0.8%*
Switzerland	*225*	*220*	*2,651*	*2,544*	*60*	*25*	*26.7%*	*11.5%*	*2.3%*	*1.0%*
Ireland	*420*	*355*	*3,637*	*3,033*	*68*	*66*	*16.1%*	*18.5%*	*1.9%*	*2.2%*
Spain	*155*	*149*	*1,410*	*1,335*	*117*	*94*	*75.4%*	*62.9%*	*8.3%*	*7.0%*
Rest of Europe	*195*	*167*	*1,694*	*1,471*	*35*	*36*	*17.9%*	*21.5%*	*2.1%*	*2.4%*
Asia-Pacific and Middle East	530	464	3,368	3,058	177	125	33.5%	26.9%	5.3%	4.1%
Other	173	147	1,903	1,554	99	103	57.4%	70.1%	5.2%	6.6%
Global Life	**4,418**	**4,030**	**40,586**	**35,296**	**1,251**	**890**	**28.3%**	**22.1%**	**3.1%**	**2.5%**

[1] New business for 2012 did not include Zurich Santander or Zurich Insurance Malaysia Berhad (ZIMB). The new business value from Zurich Santander and ZIMB for 2012 was USD 195 million.

North America increased APE by USD 36 million or 29 percent, driven by increased sales of individual protection business. Changes in the mix of business resulted in reduced margins. New business value increased by USD 8 million or 7 percent.

Zurich Santander delivered strong APE of USD 821 million. Strong sales of protection business were the result of an incentive campaign in Brazil. With strong margins, Zurich Santander delivered new business value of USD 268 million.

In the rest of Zurich's businesses in **Latin America**, APE decreased by USD 399 million or 50 percent on a local currency basis. This was the result of the successful participation in the Social Security biennial bid process in Chile in 2012. New business value was stable.

Overall in **Europe**, APE decreased by USD 162 million or 7 percent on a local currency basis. The main reductions were in the UK and Germany. Margins increased strongly in Switzerland and Spain, contributing to the increase in new business value of USD 36 million or 6 percent on a local currency basis.

In the **UK**, APE decreased by USD 176 million or 14 percent on a local currency basis as a result of reduced sales of individual savings business following the implementation of new regulation on intermediary commission payments, partially offset by increased sales of corporate pensions business in the third quarter. Margins were stable with the positive impact of lower corporation tax rates offset by lower profitability from corporate business. Overall new business value decreased by USD 28 million or 13 percent on a local currency basis.

In **Germany**, APE decreased by USD 90 million or 22 percent on a local currency basis, mainly driven by lower sales of savings business. However, new business value increased by USD 6 million or 12 percent on a local currency basis as a result of improved margins on saving business more than offsetting the APE decrease.

In **Switzerland**, APE increased by USD 5 million or 1 percent on a local currency basis. As a result of increased profitability on individual life due to re-pricing and a change in the mix of business, new business value increased by USD 35 million.

In **Ireland**, APE increased by USD 65 million or 15 percent on a local currency basis benefitting from cross-border sales, mainly to Italy. The effect on new business value from this increased volume was offset by reduced margins on domestic Irish business. In total, new business value was increased by USD 2 million.

In **Spain**, APE increased by USD 5 million, while new business value increased by USD 23 million or 20 percent on a local currency basis as a consequence of increased sales of highly profitable protection business.

In **Rest of Europe**, APE increased by USD 29 million or 13 percent on a local currency basis. However, new business value decreased by USD 1 million as a result of lower margins on savings business in Italy.

In **Asia-Pacific and Middle East**, APE increased by USD 66 million or 17 percent on a local currency basis. The increase arose from the inclusion of Zurich Insurance Malaysia Berhad (ZIMB) in new business reporting and from new local life insurance businesses in Singapore, Indonesia and Taiwan in 2013. New business value increased by USD 53 million or 47 percent on a local currency basis.

In **Other**, APE increased by USD 26 million or 15 percent on a local currency basis. New business value decreased by USD 4 million or 5 percent on a local currency basis due to a reduction in margins.

Embedded value report *continued*

5. Expected contribution and expected transfer to shareholders' net assets

Expected contribution at reference rate
The expected contribution at reference rate is the projected change in embedded value over the year using risk free investment returns applicable at the start of the year. The expected contribution at reference rate was USD 199 million.

Expected contribution in excess of reference rate
The expected contribution in excess of reference rate is the additional embedded value expected to be created if "real world" expected investment returns applicable at the start of the year were to emerge. The expected contribution in excess of reference rate was USD 491 million.

Expected transfer to shareholders' net assets
The expected transfer to shareholders' net assets shows the profits expected to emerge during the year in respect of business in-force at the start of the year. The net effect on embedded value is zero, because the change in the value of business in-force is offset by an equal and opposite change in shareholders' net assets.

6. Operating, economic and other non-operating variances

Operating, economic and other non-operating variances

in USD millions, for the year ended December 31, 2013	Operating experience variances	Operating assumption changes	Other operating variances	Economic variances	Other non-operating variances
North America	(13)	(265)	(51)	57	26
Latin America	18	(19)	(48)	(191)	(2)
of which:					
Zurich Santander	*7*	*22*	*4*	*37*	*(5)*
Europe	22	(95)	390	706	(121)
United Kingdom	*(6)*	*(83)*	*(15)*	*(100)*	*(91)*
Germany	*2*	*(47)*	*357*	*38*	*(40)*
Switzerland	*12*	*103*	*111*	*302*	*8*
Ireland	*9*	*(47)*	*(68)*	*73*	*–*
Spain	*14*	*(24)*	*(5)*	*153*	*–*
Rest of Europe	*(9)*	*2*	*8*	*239*	*2*
Asia-Pacific and Middle East	–	(226)	(225)	(28)	(54)
Other	(8)	(50)	(515)	(6)	(2)
Global Life	**19**	**(655)**	**(449)**	**537**	**(153)**

Operating experience variances

Operating experience variances measure the difference between actual experience during the period and that implied by the operating assumptions. Experience variances occur in the normal course of business as short-term experience fluctuates around long-term assumptions.

Embedded value split of operating experience variance
in USD millions, for the year ended December 31, 2013

- **Mortality and morbidity** experience increased embedded value by USD 87 million. The main positive experience variance of USD 56 million arose in Chile from the disability and survival business.
- **Persistency** experience decreased embedded value by USD 53 million. The main negative experience was USD 51 million in Latin America.
- **Expenses** experience increased embedded value by USD 3 million. Following management changes to expense methodology introduced during 2013, an expense variance resulting from costs exceeding long-term expense assumptions for start-up businesses, reported as "expenses" in the operating experience variance in the Half Year Report 2013, is reported as "development expenses" included in other operating variances in this report.
- **Other** operating experience variances reduced embedded value by USD 19 million.

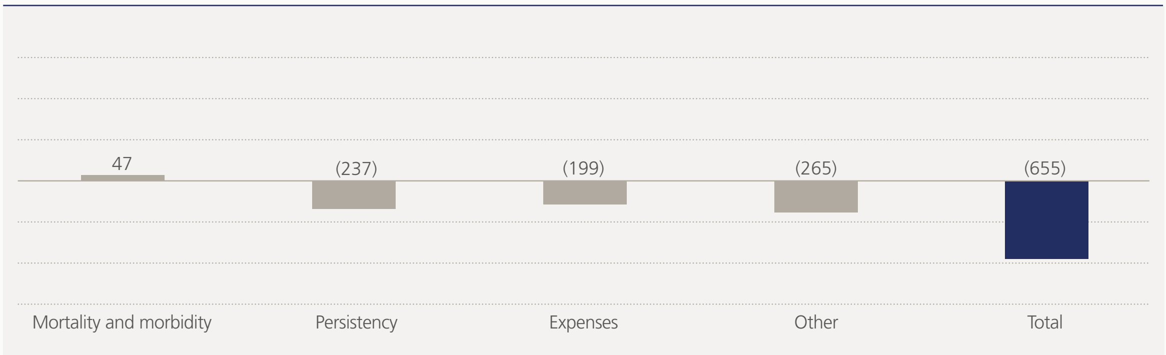
Embedded value report *continued*

Operating assumption changes

Changes in assumptions about future operating experience also have an impact on operating variances.

Embedded value split of operating assumption changes

in USD millions, for the year ended December 31, 2013



- **Mortality and morbidity** assumption updates increased embedded value by USD 47 million. The main impacts arose in Germany, Asia-Pacific and Middle East and Switzerland contributing USD 45 million, USD 37 million and USD 20 million respectively, partially offset by a decrease in North America of USD 30 million.

- **Persistency** assumption updates negatively impacted embedded value by USD 237 million. The main drivers were North America, Asia-Pacific and Middle East and the UK contributing USD 138 million, USD 87 million and USD 85 million respectively, partially offset by an increase in Switzerland of USD 133 million.

- **Expense** assumption changes reduced embedded value by USD 199 million. The main contributors were Asia-Pacific and Middle East and Ireland contributing USD 163 million and USD 33 million respectively.

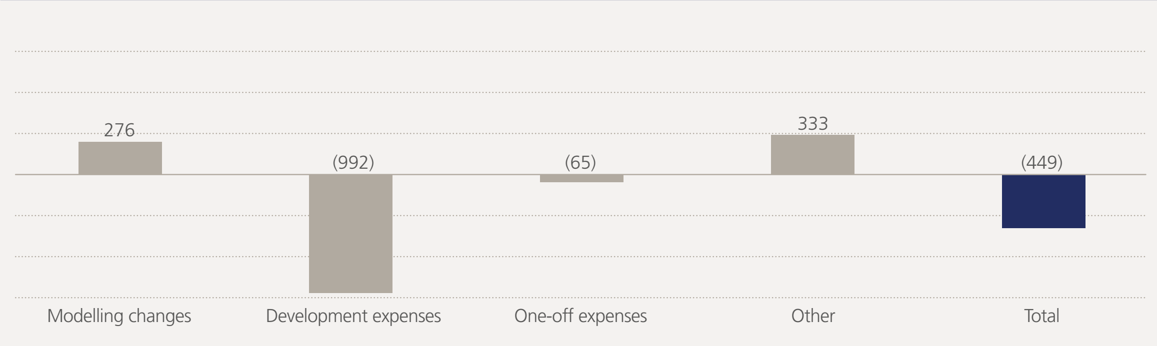
- **Other** assumption changes decreased embedded value by USD 265 million. The main contributors were a decrease of USD 82 million in North America, mainly due to a reduction in the assumed take-up rate of policy loans, and a decrease of USD 63 million in Germany, partly as a result of policyholder dividend declaration impacts.

Other operating variances

Other operating variances include modeling changes, development and one-off expenses and other operating variances not captured elsewhere.

Embedded value split of other operating variances

in USD millions, for the year ended December 31, 2013



- **Modeling changes** increased embedded value by USD 276 million. In Germany, modeling changes increased embedded value by USD 189 million. The major changes related to risk, reducing the cost of residual non-hedgeable risk. In Switzerland, enhancements to the valuation models, in particular the disability model, increased embedded value by USD 47 million.

- **Development expenses** reduced embedded value by USD 992 million. During 2013 there were management changes to expense methodology in embedded value reporting. These changes reduced embedded value as of December 31, 2013, and the impact of these changes is included in development expenses. The major impacts were USD 246 million for the capitalized value of future projected excess maintenance expenses for start-up operations and associated regional office expenses and USD 347 million for the capitalized value of certain central overhead expenses now treated as a recurring maintenance expense.

  Development expenses also include USD 134 million for the excess of initial and maintenance expenses over the long-term expense assumptions incurred during 2013 by start-up operations in North America, Latin America and Asia-Pacific and Middle East and their associated regional offices, and USD 173 million charged against the shareholders' net assets of region Other during 2013.

  Other development expenses were predominantly for platform developments, expansion and other projects in the UK and Ireland.

- **One-off expenses** reduced embedded value by USD 65 million, mainly driven by the costs of implementing efficiency improvements and other projects in Switzerland and Ireland.

- **Other** operating variances had a positive impact on embedded value of USD 333 million. The main contribution arose in Germany where profits from companies outside the main life insurance entity and other experience variances increased embedded value.

Embedded value report *continued*

Economic variances

Economic variances arise from the difference between actual economic experience during the year and the expected experience implied by the economic assumptions at the start of the year. Economic variances also include the impact of changes in assumptions in respect of future economic experience at the end of the year. In total, economic variances increased embedded value by USD 537 million in 2013.

In 2013, risk free rates increased for each major currency and in particular for the U.S. dollar and the pound sterling, while the liquidity premium spread decreased for each major currency, particularly for the pound sterling. Yields on sovereign debt were volatile across Europe, but spreads have reduced during the year. These movements are most significant for spread business and traditional participating business and as a result investment performance was positive in Switzerland, Italy, Germany and Spain. Outside Europe, increased interest rates negatively affected the economic variance on protection business in Asia-Pacific and Middle East.

Other non-operating variances

Other non-operating variances include the impact of legal, tax and regulatory changes implemented during the year as well as other one-off items.

Other non-operating variances decreased embedded value by USD 153 million, mainly driven by a reduction in the value of business in-force in the UK in the light of new regulation, which will be effective from April 2014, on payments to platform service providers, and USD 40 million in Germany.

7. Dividends and capital and other movements and other adjustments

Dividends and capital and other movements

Dividends and capital and other movements reflect dividends paid by Global Life to the Group, shown as a negative number in the table below, net of capital and other movements received from the Group, shown as a positive number in the table. Capital and other movements can also relate to the value of business in-force in respect of acquisitions and disposals, or corporate restructuring.

Dividends and capital and other movements

in USD millions, for the year ended December 31, 2013	Total
North America	10
Latin America	(173)
of which:	
Zurich Santander	*(203)*
Europe	(388)
United Kingdom	*55*
Germany	*(78)*
Switzerland	*(161)*
Ireland	*13*
Spain	*(37)*
Rest of Europe	*(180)*
Asia-Pacific and Middle East	89
Other	(21)
Global Life	**(483)**

Changes in value for Global Life arising from dividends and capital and other movements are offset by equal and opposite value changes in the non-covered businesses of the Group and therefore have no impact on Group MCEV as shown in section 11, except as noted below.

North America paid a dividend of USD 136 million to the Group, partially offset by a capital transfer from non-covered business.

In **Latin America**, the net dividends and capital movements reduced embedded value by USD 173 million.

In **Europe**, the net dividends and capital movements were USD 388 million. The main contributions to this were a dividend payment by Switzerland of USD 163 million and dividend payments by Rest of Europe of USD 153 million. In the UK, the main drivers of capital movements of USD 55 million were a change in the treatment of an internal reinsurance treaty which increased embedded value by USD 113 million, with equal and offsetting impacts in other segments of the Group, and a non-life insurance entity which was reclassified and excluded from entities covered by MCEV valuation principles reducing embedded value by USD 88 million, with equal impact on Group MCEV.

In **Asia Pacific and Middle East**, capital injections amounted to USD 104 million.

In **Other**, a dividend of USD 26 million was paid.

Other adjustments

The adjustment to embedded value to remove non-controlling interests from new business value is shown separately and it largely arose from the interests of non-controlling shareholders in Zurich Santander and Spain.

Foreign currency translation effects represent the impact of adjusting opening embedded value, and movements during the year which are translated at average exchange rates during the year, to end-of-year exchange rates. The net effect of the change of the U.S. dollar against other currencies increased the U.S. dollar embedded value by USD 71 million.

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Embedded value report *continued*

8. Value of business in-force

Components of value of business in-force

in USD millions, as of December 31	2013					2012
	CE[1]	FC[2]	TVFOG[3]	CRNHR[4]	Value of business in-force	Value of business in-force
North America	2,475	(81)	(157)	(207)	**2,029**	**2,120**
Latin America	446	(46)	(3)	(56)	**340**	**534**
of which:						
Zurich Santander	*323*	*(22)*	*(3)*	*(20)*	*279*	*205*
Europe	9,196	(521)	(821)	(511)	**7,342**	**6,724**
United Kingdom	*2,834*	*(65)*	*(16)*	*(159)*	*2,594*	*3,119*
Germany	*1,982*	*(364)*	*(396)*	*(159)*	*1,063*	*658*
Switzerland	*2,607*	*(30)*	*(152)*	*(106)*	*2,319*	*2,002*
Ireland	*905*	*(16)*	*(15)*	*(39)*	*835*	*781*
Spain	*266*	*(15)*	*–*	*(26)*	*224*	*31*
Rest of Europe	*603*	*(30)*	*(242)*	*(23)*	*307*	*134*
Asia-Pacific and Middle East	1,746	(80)	(12)	(118)	**1,536**	**1,766**
Other	(59)	(6)	–	(43)	**(107)**	**215**
Global Life	**13,803**	**(735)**	**(994)**	**(935)**	**11,140**	**11,359**

[1] CE is the certainty equivalent value of business in-force.
[2] FC is the frictional costs.
[3] TVFOG is the time value of financial options and guarantees including the application of a liquidity premium.
[4] CRNHR is the cost of residual non-hedgeable risk (see section 12 d) for further details).

Maturity profile of value of business in-force

The value in-force (VIF) maturity profile sets out when the VIF profits are expected to emerge as free surplus. It does not include the release of required capital to free surplus which usually accompanies the emergence of the VIF profit. The VIF emergence is determined after taking into account frictional costs, the cost of residual non-hedgeable risk and the time value of financial options and guarantees.

Maturity profile of value of business in-force

in USD millions, as of December 31	2013		2012	
	VIF	% of Total	VIF	% of Total
1 to 5 years	3,923	35%	3,929	35%
6 to 10 years	2,856	26%	2,891	25%
11 to 15 years	1,892	17%	2,111	19%
16 to 20 years	1,096	10%	1,193	11%
more than 20 years	1,373	12%	1,236	11%
Total	**11,140**	**100%**	**11,359**	**100%**

The VIF maturity profile shows that 35 percent of the VIF should emerge as free surplus over the next five years and 61 percent over the next ten years.

9. Reconciliation of shareholders' equity to embedded value

Reconciliation of shareholders' equity to embedded value

in USD billions, as of December 31, 2013	Total
Shareholders' equity[1]	**19.6**
Less intangible assets	
Goodwill	*(0.4)*
Deferred policy acquisition costs and deferred origination costs	*(15.3)*
Other intangibles and present value of future profits	*(4.0)*
Deferred front-end fees	*5.8*
Pension scheme liabilities[2]	1.1
Less non-controlling interests[3]	0.1
Other adjustments[4]	1.6
Embedded value shareholders' net assets	**8.4**
Value of business in-force	11.1
Embedded value	**19.5**

[1] Shareholders' equity is the Global Life share of total shareholders' equity as reported in the Consolidated financial statements prepared on the basis of the Group's accounting policies set out in note 3 of the Consolidated financial statements.
[2] Pension scheme liabilities are deducted from shareholders' equity but are not deducted from embedded value shareholders' net assets.
[3] Primarily from non-controlling interests in Zurich Santander and Spain.
[4] Other adjustments include tax differences, policyholders' share of intangibles, reserving differences and asset valuation differences including the write-off in embedded value shareholders' net assets of an intangible asset to which certain project-based costs were related.

Embedded value report *continued*

10. Sensitivities

Sensitivities

in USD millions, as of December 31, 2013	Change in embedded value[1]	Change in new business value[1]
Reported embedded value and new business value[1]	**19,499**	**1,251**
Base embedded value and base new business value[1]	**19,113**	**904**
Operating sensitivities		
10% increase in initial expenses	n/a	(5%)
10% decrease in maintenance expenses	3%	7%
10% increase in voluntary discontinuance rates	(3%)	(12%)
10% decrease in voluntary discontinuance rates	4%	14%
5% improvement in mortality and morbidity for assurances	2%	10%
5% improvement in mortality for annuities	(1%)	(1%)
Required capital set equal to minimum solvency capital	–	1%
Economic sensitivities		
100 basis points increase in risk free yield curve	(2%)	(1%)
100 basis points decrease in risk free yield curve[2]	2%	(1%)
10% fall in equity market values	(1%)	n/a
10% fall in property market values	(1%)	n/a
25% increase in implied volatilities for risk free yields	(1%)	–
25% decrease in implied volatilities for risk free yields	1%	1%
25% increase in implied volatilities for equities and properties	(1%)	–
25% decrease in implied volatilities for equities and properties	1%	–

[1] Values used to calculate the sensitivities exclude a liquidity premium and are net of new business value non-controlling interests. These adjustments for the sensitivity calculations reduce the reported embedded value and new business value by USD 386 million and USD 347 million, respectively.
[2] Risk free forward annual yields are decreased by 100 basis points at each duration. However, if a risk free forward annual yield at a given duration is less than 100 basis points, the decrease is to zero at that duration, not to a negative rate.

The key assumption changes represented by each of these sensitivities are given in section 12 q).

In each sensitivity calculation, all other assumptions remain unchanged except where they are directly affected by the revised assumption. The results include the impact of assumption changes on the time value of financial options and guarantees. The 100 basis points decrease in risk free yield curve increases the value of some products, such as term assurance, with fixed future cash flows discounted at lower rates. This increase is offset by a reduction in the value of other products, such as those where lower assumed investment returns reduce profitability.

11. Group MCEV

The Group MCEV is presented in the following table as the Global Life covered business valued using MCEV Principles and the non-covered businesses which are valued at the unadjusted shareholders' equity. Non-covered businesses include the life businesses in Non-Core Businesses managed outside Global Life and all other Group businesses including General Insurance and Farmers.

Group MCEV

in USD billions, for the year ended December 31, 2013	Covered business MCEV	Non-covered businesses	Total Group MCEV
Opening Group MCEV	**18.9**	**16.5**	**35.4**
Operating MCEV earnings[1]	0.9	3.1	4.0
Non-operating MCEV earnings	0.4	0.0	0.4
Total MCEV earnings	1.2	3.1	4.3
Other movements in shareholders' equity[2]	(0.2)	(2.4)	(2.6)
Adjustments[3]	(0.4)	(2.4)	(2.9)
Closing Group MCEV	**19.5**	**14.7**	**34.2**

[1] For non-covered businesses this is set equal to the Net Income After Tax over the period.
[2] For covered business this is equal to new business value non-controlling interests. For non-covered businesses this is equal to the change in non-controlling interests and unrealized gains and losses excluding the foreign currency translation effects over the period.
[3] Adjustments include dividends, capital and other movements and foreign currency translation effects.

Financial information

Embedded value report *continued*

12. Embedded value methodology

The Group has applied Market Consistent Embedded Value (MCEV) Principles and Guidance issued by the European Insurance CFO Forum in October 2009, for its Embedded value report for the companies and businesses in its Global Life segment (the covered business). The Embedded value report primarily relates to Global Life. Total Group MCEV is shown in section 11. The embedded value methodology adopted by the Group is based on a "bottom-up" market consistent approach to allow explicitly 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 capital markets, and options and guarantees are valued using market consistent models calibrated to observable market prices. Where markets exhibit a limited capacity, the valuation is based on historical averages. Embedded value excludes any value from future new business.

All amounts shown in U.S. dollars are rounded. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

a) Covered business

Covered business includes all business written by companies that are included in Global Life, unless otherwise stated. In particular:

- life and critical illness;
- savings (with profit, non-profit and unit-linked);
- pensions and annuity; and
- long-term health and accident.

For certain smaller companies in Global Life, no embedded value has been calculated but these companies have been included in embedded value at shareholders' equity, as calculated in accordance with the Group's accounting policies. The contribution from these companies to embedded value is less than 5 percent.

b) Reporting of embedded value

In line with MCEV Principles, embedded value is split between shareholders' net assets, including free surplus and required capital, and the value of business in-force.

The results are disclosed in a format that the Group considers to be appropriate for the market consistent methodology adopted.

c) Shareholders' net assets

Shareholders' net assets represent the market value of net assets held in respect of the covered business, and consist of the required capital and free surplus. The level of required capital reflects the amount of capital considered by the directors of each legal entity to be appropriate to manage the business. This is set at least at the level equal to the regulatory required capital of each legal entity, at which the regulator would intervene to request a capital injection and in addition, for the main companies, an adequate buffer to cover short-term volatilities in solvency due to financial and non-financial risks or to achieve the capital required to maintain the desired credit rating.

The free surplus comprises the market value of shareholders' net assets allocated to the covered business in excess of the assets backing the required capital.

In the UK, insurers are required to assess capital requirements on two separate bases, Pillar 1 and Pillar 2. For Zurich Assurance Ltd, Pillar 2 was more onerous at December 31, 2012, and Pillar 1 was more onerous at December 31, 2013. The amounts of required capital and free surplus shown in this report as of December 31, 2012 and December 31, 2013 applicable to Zurich Assurance Ltd reflect those positions. The required capital modelled for embedded value is based on the Group's target Pillar 1 required capital, and the analysis of change is performed on a Pillar 1 basis.

Shareholders' net assets are based on local statutory and regulatory accounting. Adjustments are made to embedded value where appropriate, for example in respect of any unrealized gains attributable to shareholders. Any such adjustments are made consistently with the calculation of the value of business in-force.

d) Value of business in-force

The value of business in-force is the present value of future projected profits, distributable after tax to shareholders from the covered business. It is defined as the certainty equivalent value of business in-force less frictional costs, the time value of financial options and guarantees, and the cost of residual non-hedgeable risk. These components are explained below.

Certainty equivalent (CE) value is the value calculated using discount rates consistent with those applied to the underlying cash flows in the capital markets. It includes the intrinsic value but excludes the time value of financial options and guarantees which is allowed for separately, as described below.

Frictional costs (FC) reflect a deduction for the cost of holding the required capital. Under the Group's market consistent framework, the FC represents tax in respect of the future investment return on required capital together with the cost of future investment management expenses on required capital. In Germany, the policyholders' share of investment income on the required capital is also included.

For the purpose of these calculations, required capital is assumed to run off in line with existing business.

The allowance for FC is included both in the value of business in-force and in new business value. For new business value, FC is applied to the minimum solvency capital required to be held in respect of that business.

No allowance is made for "agency costs" as these are considered to be subjective and depend on the view of each shareholder.

Time value of financial options and guarantees (TVFOG) represents additional costs in excess of the intrinsic value of options and guarantees which are already allowed for in the CE value. These are based on the variability of investment returns which need to be allowed for explicitly under MCEV Principles. The time value is calculated on a market consistent basis using stochastic modeling techniques, and after making allowance for expected management and policyholder behavior.

For products with significant guarantees, the time value has been calculated on a market consistent basis by deducting the average present value of shareholder cash flows using 1,000 stochastic economic simulations from the CE value (both for the value of business in-force and separately for new business value).

For most products, the average value has been calculated using Monte Carlo simulations. For a small number of products, the TVFOG has been derived using closed form solutions.

Where appropriate, the calculation of the TVFOG makes allowance for:

- dynamic actions that would be taken by management under different economic simulations, for example to implement a life business' investment strategy; and
- dynamic policyholder behavior, for example changes in surrender behavior as interest rates rise or fall, or take-up rates of guaranteed annuity options.

The **cost of residual non-hedgeable risk (CRNHR)** is an explicit deduction for non-hedgeable financial risks (non-hedgeable asset/liability management risks and reinsurance credit risk), and non-financial risks (mortality, persistency, expenses and operational risk). The CE value allows for best estimate shareholder cashflows. The CRNHR is largely an allowance for uncertainty in shareholder cashflows, and for risks which are not already considered in the CE value or the TVFOG, such as operational risk. Most residual non-hedgeable risks have a symmetric impact on embedded value apart from operational risk.

CRNHR is calculated as a charge on the capital held for residual non-hedgeable risks. This is calculated according to Zurich's internal risk based capital model by applying 2,000 shocks to the embedded value assumptions. To align with the MCEV Principles the risk based capital is scaled to a 99.5 percent confidence level by using empirical distributions where available, or by assuming probability distributions as appropriate.

The capital is projected over the lifetime of the business using appropriate risk drivers for each risk type. The present value of the risk capital is calculated by applying the swap curve as of the valuation date. The CRNHR allows for diversification across risk types and across geographical segments. This approach complies with MCEV Principles except

Embedded value report *continued*

Guidance 9.7 which does not allow for diversification benefits between covered and non-covered business. The Embedded value report does allow for diversification benefits between covered and non-covered business, which is consistent with the management view of the business and adds an estimated USD 545 million to embedded value.

A 4 percent cost of capital charge has been applied to the diversified present value of non-hedgeable risk based capital.

e) New business
New business covers new contracts sold during the reporting period and includes recurring single premiums, new premiums written during the period on existing contracts and variations to premiums on existing contracts where these premiums and variations have not previously been assumed to be part of business in-force. Where recurring single premiums are projected over time to derive the corresponding new business value, they are treated as annual premium for the volume definition. Group Life business valued with a contract renewal assumption is treated as annual premium.

New business is valued at the point of sale. Explicit allowance is made for FC, TVFOG, and CRNHR. New business value is valued using actual new business volumes, except in Germany. See section 12 f).

The value generated by new business written during the period is the present value of the projected stream of after tax distributable profits from that business.

In certain profit sharing funds, the new business written can affect the TVFOG for business written in prior years. This effect is taken into account in the new business value by valuing the new business on a marginal approach, the difference between embedded value with and without the new business. This captures the effect of cross-subsidies between business in-force and new business due to, for example, different interest rate guarantees operating in a shared common pool of assets.

New business is valued on a discrete quarter basis. Once calculated and reported, new business value for a quarter will not change in subsequent quarters in local currency terms. For details on the assumptions used for new business see section 13.

New business amounts in the Embedded value report are reported before the effects of non-controlling interests. New business value is reduced by USD 190 million and USD 46 million after the effects of non-controlling interests in 2013 and 2012, respectively.

f) Asset and liability data
The majority of the Group's embedded value has been calculated using a "hard close" approach, such that all asset and liability data reflect the actual position as of the valuation date.

Germany has followed an approach where liability model points are set up in advance, using the structure of a previous run, and then projected to the valuation date by scaling to match the expected balance sheet figures. New business model points are determined quarterly. For each quarter, new business model points are scaled to the expected APE in the quarter.

g) Market consistent discounting
The Group has adopted a "bottom-up" market consistent approach for the projection and discounting of future cash flows in the calculation of embedded value. As a result, the risks inherent in the cash flows are allowed for in a way that is consistent with the way the market is expected to allow for such risks.

In principle, this method values each cash flow using a discount rate consistent with that applied to such a cash flow in the capital markets. For example, an equity cash flow is valued using an equity risk discount rate, and a debt security cash flow is valued using a debt security discount rate. If a higher return is assumed for equities, the equity cash flow is discounted at this higher rate.

In practice, the Group has applied a computational method known as a "risk neutral" approach. This involves projecting the assets and liabilities using a distribution of asset returns where all asset types, on average, earn the same risk free rate.

The risk free yield curve assumptions are based on the swap curve in each major currency (U.S. dollars, euro, British pounds and Swiss francs). For liabilities where payouts are either independent or move linearly with markets, deterministic techniques (referred to as "certainty equivalent") have been used. In such cases, the projection and discounting are based on the same risk free yield curve. Further details are set out under "Economic assumptions" in section 13.

h) Economic scenario generator
All operations use actual yield curves observable as of the valuation date for the calculation of the certainty equivalent value of business in-force.

The calculations of the TVFOG are based on stochastic simulations using an economic scenario generator provided by Barrie & Hibbert. The outputs ("simulations") have been calibrated to conform to the economic parameters specified by the Group.

The simulations used for calculation of TVFOG reflect the actual yield curves and implied volatilities observable as of the valuation date.

Simulations are produced for the economies in the U.S., the UK, Switzerland and the eurozone. In each economic area, risk free nominal interest rates are modeled using a LIBOR market model. The excess return on other asset classes relative to the total returns on risk free assets are then modeled using a multi-factor lognormal model. Hong Kong uses U.S. dollar simulations because their principal liabilities are U.S. dollar-denominated. Chile uses closed form solutions rather than simulations. Other operations, not mentioned above, have no significant options and guarantees. Further details are set out under "Economic assumptions" in section 13.

i) Expenses
Initial commissions and renewal commissions directly attributable to policies are allocated to those policies.

In 2013, management changes have been made to the methodology for allocating expenses between those which are included in unit costs and those which are charged as expenses in operating experience variances or as development expenses or one-off expenses in other operating variances.

Business units allocate expenses incurred by them between those expenses that form the unit cost base for assumption setting, and those that are excluded from the unit cost base. Any expense excluded from the unit cost base requires approval from the Global Life Chief Financial Officer.

Expenses that form the unit cost base for assumption setting are split into initial expenses and maintenance expenses. The initial expenses impact the new business value directly. The maintenance expenses form the basis for the maintenance expense assumptions and impact the new business value and value of business in-force directly.

Expenses excluded from the unit cost base for embedded value reporting are split into development expenses and one-off expenses. Development expenses relate to expenses incurred to improve the long-term capacity of the business or to reduce its future unit costs, and include certain expenses for start-up operations, certain expenses for regional offices, and certain central overhead expenses not reflected in the long-term assumptions of the business units. They also include certain project-based costs and certain distribution expenses. One-off expenses are those that are not expected to recur and are short-term in nature. Development expenses and one-off expenses do not impact the new business value.

The expenses of start-up operations and of regional offices focused on developing or supporting new businesses are likely to exceed the levels of expense that can be absorbed by the initial level of business generated in those business units. In these cases, expenses included in the unit cost base are based on long-term initial and maintenance expense assumptions which are then the basis for new business value. Expenses incurred in excess of those in the long-term assumptions are written off substantially as development expenses. The value of business in-force reflects the long-term maintenance expense assumptions and the projected excess of maintenance expenses over the long-term maintenance expense assumptions relating to business in-force. The value of such excess is written off to other operating variances as development expenses. This is a management change to expense methodology in 2013 and the projected excess maintenance expenses for start-up operations and regional office expenses is USD 246 million, reported as a development expense. In previous years, such expenses were reported annually as incurred.

In previous years, certain central expenses not reflected in the long-term assumptions of the business units were written off to other operating variances as development expenses as incurred. As of December 31, 2013 these are treated as a maintenance expense for embedded value reporting and a capitalized value of the projected amount

Embedded value report *continued*

is included as a negative value of business in-force for region Other. The impact of this change at December 31, 2013 is USD 347 million and is reported as a development expense.

In previous years, certain project-based costs related to intangible assets were reported as variances in line with amortization. In 2013, as part of the management changes to expense methodology, all such intangible assets were written off through development expenses in embedded value. This reduced embedded value by USD 83 million as of December 31, 2013. This is not an impairment of value of these intangible assets.

Certain payments to distributors or sales agents are made in exchange for an expectation of new business production over a period longer than one year. Such payments, whether up-front or payable in stages, are reported as development expenses.

All expenses in embedded value are net of tax appropriate to the business unit to which the expense is charged.

j) Holding companies
Holding companies allocated to Global Life have been consolidated in embedded value at their shareholders' equity. Related expenses have been included in the projection assumptions. Holding companies outside Global Life are not included in embedded value of the covered business.

k) Consolidation adjustments
Where a reinsurance arrangement exists between two life companies within Global Life, the value of the reinsurance is shown in embedded value of the region to which the ceding company belongs.

Embedded value is shown net of non-controlling interests. Where the Group has a controlling interest in a subsidiary company, the new business value and the premium information are shown gross of non-controlling interests. The non-controlled share of new business value is eliminated through "new business value non-controlling interests".

l) Debt
Where a loan exists between a company in Global Life and a Group company outside Global Life, the loan is included in embedded value at the same value included in the balance sheet of the other Group company.

m) "Look through" principle – service companies
There are some companies within Global Life that provide administration and distribution services. These are valued on a "look through" basis. The results do not include any Group service companies outside Global Life.

In Germany, the majority of distribution and administration is provided by service companies. These are valued on a "look through" basis. These companies also provide limited services to companies outside Global Life. The value of business in-force and new business value reflect the services provided to companies within Global Life. The shareholders' net assets of Global Life include, however, the full shareholders' net assets of these service companies.

In Switzerland, an investment management company provides asset management services to pension schemes written in foundations and other pension funds. The present value of the net asset management fees, after tax, is included in embedded value and new business value.

n) Employee pension schemes
In the Group's Consolidated financial statements, actuarial gains and losses arising from defined benefit pension and other defined benefit post-retirement plans are recognized in full in the period in which they occur and are presented on a separate line in the statement of comprehensive income, with a liability recognized for employee benefit deficits under IAS 19. This adjustment has not been made in the detailed embedded value described in this Embedded value report. If the adjustment had been made embedded value as of the valuation date would have been lower by USD 1,099 million. The actuarial and economic assumptions used for this adjustment are consistent with those used for the equivalent allowance made in the Group's Consolidated financial statements.

Expense assumptions for each life business include expected pension scheme costs in respect of future service entitlements.

o) Change in legislation or solvency regime
The impacts of changes in legislation or solvency regimes are included in economic variance for the analysis of movement when they occur.

p) Translation to Group presentation currency
To align embedded value reporting with the Group's Consolidated financial statements, relevant results have been translated to the Group presentation currency, U.S. dollar, using average exchange rates for the period. This applies to new business value and new business volumes (APE and PVNBP) for the current period and comparative figures. This approach has also been applied to the analysis of movement. Valuations as at a specified date are translated at end-of-period exchange rates.

The rates can be found in note 1 of the audited Consolidated financial statements as of December 31, 2013.

q) Sensitivities
The key assumption changes represented by each of the sensitivities in section 10 are as follows:

Operating sensitivities

A 10 percent increase in initial expenses was considered for new business value only.

A 10 percent decrease in maintenance expenses means that, for example, a base assumption of USD 30 per annum would decrease to USD 27 per annum.

A 10 percent decrease in voluntary discontinuance rates means that, for example, a base assumption of 5 percent per annum would decrease to 4.5 percent per annum.

A 5 percent improvement in mortality and morbidity assumptions for assurances means that, for example, if the actuarial mortality assumption for assurances was 90 percent of a particular table, this would decrease to 85.5 percent.

A 5 percent improvement in mortality assumptions for annuities means that, for example, if the actuarial mortality assumption for annuities was 90 percent of a particular table, this would decrease to 85.5 percent.

Required Capital set to Minimum Solvency Capital means that frictional costs are applied to minimum solvency capital only and frictional costs on excess solvency capital are released.

Economic sensitivities

A 100 basis points increase and decrease was applied to the risk free forward yield curve across all durations. For the 100 basis points decrease sensitivity, if a risk free forward annual yield at a given duration is less than 100 basis points, the decrease is to zero at that duration, not to a negative rate.

A 10 percent fall in equity and property market values was assessed for embedded value only.

A 25 percent increase in implied risk free volatilities means that, for example, a volatility of 20 percent per annum would increase to 25 percent per annum.

A 25 percent increase in implied equity and property volatilities means that, for example, a volatility of 20 percent per annum would increase to 25 percent per annum.

In each sensitivity calculation, all other assumptions remain unchanged except where they are directly affected by the revised conditions. The results include any impact of the assumption changes on the time value of financial options and guarantees.

Embedded value report *continued*

13. Embedded value assumptions

Projections of future shareholder cash flows expected to emerge from covered business and for new business are determined using best estimate operating assumptions. These assumptions, including mortality, morbidity, persistency and expenses, reflect recent experience and are reviewed annually and updated as appropriate. Allowance is made for future improvements in annuitant mortality based on experience and externally published data. Favorable changes in future operating efficiency are not anticipated in the assumptions – in particular for expenses and persistency.

For the purposes of calculating the value of business in-force, future economic assumptions, for example, investment returns and inflation, are based on period end conditions and assumed risk discount rates are consistent with these conditions.

For the purposes of calculating new business value, for each discrete quarter of new business, economic assumptions are based on market conditions at the start of the quarter. New business operating assumptions are reviewed annually and updated as appropriate with effect from the first quarter of the next calendar year. In general the operating assumptions remain unchanged throughout the year.

a) Economic assumptions

Market consistent framework

The Group has adopted a computational method known as "risk neutral." With this method the key economic assumptions are:

- risk free rates;
- implied volatilities of different assets; and,
- correlations between different asset returns.

Expected asset returns in excess of the risk free rate have no bearing on the calculated embedded value other than in the expected contribution used for the analysis of embedded value earnings. The expected return for equities comprises an equity risk premium added to the start of period one year swap rate. The expected return on corporate bonds is equal to the start of period one year swap rate plus a risk premium estimated by comparing the market yield on corporate bonds with the swap rates for equivalent durations. In addition, a reduction must be made to the yield to allow for the expected level of defaults.

Choice of "risk free yield curve"

The risk free yield curve is derived from mid-market swap rates applicable to each economy as of the valuation date. These curves were used to extract forward reinvestment yields that are used for all asset classes. The yield curves are consistent with the assumptions used by investment banks to derive their option prices and their use ensures consistency with the derivation of implied volatilities. They also have the advantage of being available for most of the markets in which the Group operates. Domestic yield curves are used by businesses in other countries, except Hong Kong and Argentina which use the U.S. dollar, as their liabilities are principally U.S. dollar-denominated.

Implied asset volatility and correlations

The Group's embedded value model is based on market consistent assumptions. Interest volatility is derived from the implied volatility of interest rate swaptions. Swaption implied volatilities vary both by the term of the option and also the term of the underlying swap contract, a fact that is reflected in the economic scenarios. The equity volatilities are based on at-the-money forward European options on capital indices, consistent with traded options in the market. Volatility of property investments is derived from relevant historical return data for each modeled economy. Assumptions for long-term equity volatility and long-term correlations between equity, property and bond indices are prepared with reference to historical analysis.

Inflation

Inflation assumptions have been derived from the yields on index linked government bonds relative to the corresponding nominal government yield curve, where such index linked government bonds exist. Where appropriate, allowance has been made for expense inflation to exceed the assumed level of price inflation reflecting the contribution of salary related expenses to life company expenses. In Switzerland, reference was made to Swiss Financial Market Supervisory Authority (FINMA) published rate.

Risk discount rate

Under the "risk neutral" approach, risk discount rates are based on the same risk free yield curves as those used to project the investment return.

For stochastic modeling, the risk discount rates are simulation specific and also vary by calendar year consistently with the projected risk free yields in each simulation.

Liquidity premiums

The CFO Forum engaged Barrie & Hibbert who estimated a liquidity premium proxy to be equal to 50 percent times the credit spread over swaps less 40 basis points where credit spreads over swaps are equal to the credit spread on a representative corporate bond index less the swap rate for each particular currency.

The Group applies liquidity premium in the operating currencies of U.S. dollar, euro, British pound and Swiss franc in its embedded value.

The liquidity premium is applied to the following lines of business:

- 100 percent for annuities;
- 75 percent for contracts with participating features, universal life contracts and fixed interest annuities in the U.S.;
- 0 percent for all other lines of business.

All sensitivities in the report relate to the base yield curve with no liquidity premium.

Expected contribution

The expected contribution for the analysis of embedded value earnings is based on a projection from the start of period to the end of period. This requires assumptions regarding the investment returns expected to be achieved over the period on different asset classes. The investment return assumptions (for this purpose only) are based on the "real world" returns expected by the Group. The use of "real world" investment assumptions gives a more realistic basis for the expected contribution calculation and allows for the risk underlying each asset. Any under or over performance will be reported through economic variance.

For fixed interest assets, the "real world" investment return assumptions are based on the gross redemption yield on the assets, less an allowance for defaults where appropriate, together with an adjustment to reflect the change over the period implied in the yield curve assumptions.

For equity assets for units where there is a substantial equity allocation, the investment return assumption is based on the long-term "real world" expected return. For equity assets for units without a material equity allocation the investment return assumption is based on the one year swap rate at the start of period plus a margin to reflect the additional risk associated with investment in this asset class.

For property assets, the investment return assumptions are based on the one year swap rate at the start of period plus a margin to reflect the additional risk associated with investment in this asset class.

These assumptions have been set by asset class and separately for each sub-fund in each life business in order to best reflect the actual assets held.

Participating business

Rates of future bonus or crediting rates have been set at levels consistent with the "risk neutral" investment return assumptions and current bonus plans. In the UK, bonus rates have been set so as to exhaust any remaining assets in the relevant long-term funds. In certain scenarios shareholder injections may be required to meet existing guaranteed benefits and this additional cost is included in the TVFOG.

In other European life businesses and in the U.S., bonuses have been set to be consistent with the investment return assumptions and with the book value approach used by these life businesses in practice. Existing practice, contractual and regulatory requirements as well as the reasonable expectations of policyholders are considered in setting bonuses.

Embedded value report *continued*

Taxation

Current income tax legislation and rates have been assumed to continue unaltered, except where changes in future such tax rates or practices have been announced.

b) Operating assumptions

Demographic assumptions

The assumed future mortality, morbidity and lapse rates have been derived from recent operating experience and relevant industry statistics. Where operating experience or industry statistics are limited, the assumptions are derived from a best estimate of future developments and are subject to regular review as more experience emerges. Where appropriate, surrender and option take-up rate assumptions that vary according to the investment simulation under consideration have been used, based on an assessment of likely policyholder behavior.

As of December 31, 2013 the valuation approach for some group savings schemes and group pension schemes was changed from the individual member approach to the scheme approach. Under the scheme approach, it is assumed members leaving the scheme will be replaced by members joining the scheme and hence the scheme population will remain on average stable over time; however, an assumption for the entire scheme lapsing is made. The scheme approach is considered appropriate when it is clear that the negotiation and pricing activity is carried out at a scheme level. This change increased the value of business in-force, and hence embedded value, as of December 31, 2013 by USD 42 million. For each scheme, measurements of future new business volumes and values will be consistent with the valuation approach used for the value of business in-force.

Expense assumptions

Management expenses have been analyzed between expenses related to acquisition of new business, the maintenance of business in-force and, where appropriate, development expenses and one-off expenses. Future expense assumptions allow for expected levels of maintenance expenses. Headquarters' expenses relating to covered business have been allocated to business units, or to Global Life's central unit which is in region Other, and are reflected in assumed future expenses.

The maintenance expense assumptions allow for the expected cost of providing future service benefits in respect of the Group staff pension schemes. An adjustment to embedded value is noted in section 12 n) for pension scheme liabilities and no allowance is made in the expense assumptions for any contributions as a result of past service benefits.

No allowance has been made for future productivity improvements in the expense assumptions.

Where service companies have been valued on a "look through" basis, the value of profits or losses arising from these services have been included in embedded value and new business value.

Zurich is liable for payments to be made to various distributors, each payment being dependent on preceding sales volumes or profits or other factors, in accordance with distribution agreements. As part of the economic valuation, for each such agreement, a liability is included in embedded value shareholders' net assets for the best estimate of the next potential payment attributable to the business issued to date.

In countries where significant development work is performed these are shown under "development expenses".

c) Dynamic decisions

To reflect more realistically the outcome of stochastic simulations, the assumptions for each simulation make allowance for the behavior of policyholders and management actions in response to the investment conditions modeled.

In many life businesses, policyholders can exercise an option against the life company in certain circumstances, such as to surrender a policy. This leads to an increase in the assumed lapse rates when interest rates rise (or a corresponding reduction when interest rates fall). This dynamic effect in relation to lapse rates has been allowed for in the stochastic models.

The stochastic models allow, where appropriate, for management actions to change investment strategy in response to market conditions.

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Appendix

Embedded value results Global Life, by region

in USD millions, for the years ended December 31	North America		Latin America	
	2013	2012	**2013**	2012
Embedded value information:				
Opening embedded value	**2,594**	2,780	**1,615**	683
Dividends in the first six months of the year[1]	(68)	(109)	(24)	(5)
Capital and other movements in the first six months of the year[1]	1		(20)	
New business value[2]	117	109	368	99
Expected contribution from in-force	159	171	42	31
Operating experience variances	(13)	(24)	18	(20)
Operating assumption changes	(265)	(113)	(19)	(14)
Other operating variances	(51)	(221)	(48)	(22)
Embedded value operating earnings[2]	**(53)**	(79)	**361**	75
Economic variances	57	99	(191)	(11)
Other non-operating variances	26	30	(2)	(2)
Embedded value earnings[2]	**30**	50	**168**	62
Dividends in the last six months of the year[1]	(68)	(127)	(182)	869
Capital and other movements in the last six months of the year[1]	145		53	
New business value non-controlling interests	–	–	(133)	(2)
Foreign currency translation effects	–	–	(161)	7
Closing embedded value	**2,634**	2,594	**1,315**	1,615
New business information:				
Annual premiums	154	110	855	704
Single premiums	74	154	3,231	517
Annual premium equivalent (APE)	162	125	1,178	755
Present value of new business premiums (PVNBP)	1,406	1,227	6,158	2,458
New business value	**117**	109	**368**	99
New business margin (% of APE)	72.4%	87.1%	31.2%	13.2%
New business margin (% of PVNBP)	8.3%	8.9%	6.0%	4.0%

[1] In 2012 dividends included capital and other movements.
[2] Embedded value operating earnings and embedded value earnings are gross of new business value non-controlling interests.

	of which Zurich Santander		Europe		Asia-Pacific and Middle East		Other		Global Life	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	820	–	**11,298**	9,701	**3,043**	2,465	**312**	217	**18,861**	15,846
	(22)	–	(347)	(365)	–	(11)	(26)	(45)	(465)	(534)
	(35)		43		93		(1)		116	
	268	–	490	453	177	125	99	103	1,251	890
	32	–	392	658	94	93	2	2	689	954
	7	–	22	(124)	–	(50)	(8)	(2)	19	(220)
	22	–	(95)	(102)	(226)	(4)	(50)	6	(655)	(226)
	4	–	390	593	(225)	(16)	(515)	8	(449)	342
	332	–	**1,198**	1,477	**(178)**	148	**(472)**	117	**855**	1,739
	37	–	706	224	(28)	86	(6)	7	537	405
	(5)	–	(121)	37	(54)	(62)	(2)	3	(153)	6
	365	–	**1,782**	1,738	**(261)**	172	**(480)**	127	**1,240**	2,150
	(146)	833	(77)	(59)	(15)	371	–	6	(342)	1,059
	–		(7)		11		6		208	
	(131)	–	(56)	(44)	(1)	–	–	–	(190)	(46)
	(75)	(13)	408	326	(163)	46	(12)	7	71	387
	776	820	**13,044**	11,298	**2,707**	3,043	**(201)**	312	**19,499**	18,861
	561	–	1,398	1,374	483	403	90	86	2,981	2,677
	2,603	–	9,782	11,642	466	608	824	605	14,378	13,527
	821	–	2,376	2,538	530	464	173	147	4,418	4,030
	4,381	–	27,751	26,998	3,368	3,058	1,903	1,554	40,586	35,296
	268	–	**490**	453	**177**	125	**99**	103	**1,251**	890
	32.6%	–	20.6%	17.9%	33.5%	26.9%	57.4%	70.1%	28.3%	22.1%
	6.1%	–	1.8%	1.7%	5.3%	4.1%	5.2%	6.6%	3.1%	2.5%

Appendix *continued*

Embedded value results Europe

in USD millions, for the years ended December 31

	United Kingdom		Germany	
	2013	2012	**2013**	2012
Embedded value information:				
Opening embedded value	**4,130**	3,692	**2,589**	2,058
Dividends in the first six months of the year[1]	–	6	(4)	(1)
Capital and other movements in the first six months of the year[1]	55		3	
New business value[2]	167	195	43	37
Expected contribution from in-force	61	176	54	236
Operating experience variances	(6)	(52)	2	2
Operating assumption changes	(83)	(29)	(47)	(28)
Other operating variances	(15)	197	357	286
Embedded value operating earnings[2]	**124**	488	**409**	533
Economic variances	(100)	(269)	38	(14)
Other non-operating variances	(91)	17	(40)	1
Embedded value earnings[2]	**(66)**	236	**408**	521
Dividends in the last six months of the year[1]	–	13	(77)	(34)
Capital and other movements in the last six months of the year[1]	–		–	
New business value non-controlling interests	–	–	(1)	(1)
Foreign currency translation effects	74	183	128	47
Closing embedded value	**4,193**	4,130	**3,046**	2,589
New business information:				
Annual premiums	652	583	307	382
Single premiums	3,670	6,117	557	707
Annual premium equivalent (APE)	1,019	1,194	363	453
Present value of new business premiums (PVNBP)	15,422	14,112	2,937	4,503
New business value	**167**	195	**43**	37
New business margin (% of APE)	16.4%	16.4%	11.8%	8.2%
New business margin (% of PVNBP)	1.1%	1.4%	1.5%	0.8%

[1] In 2012 dividends included capital and other movements.
[2] Embedded value operating earnings and embedded value earnings are gross of new business value non-controlling interests.

Europe									
Switzerland		Ireland		Spain		Rest of Europe		Europe total	
2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
2,286	2,126	**1,204**	1,156	**281**	164	**808**	506	**11,298**	9,701
(163)	(355)	–	13	(27)	(19)	(153)	(8)	(347)	(365)
4		13		(6)		(27)		43	
60	25	68	66	117	94	35	36	490	453
139	166	19	22	66	17	52	40	392	658
12	(5)	9	(51)	14	(18)	(9)	–	22	(124)
103	(13)	(47)	(49)	(24)	2	2	14	(95)	(102)
111	79	(68)	(26)	(5)	126	8	(70)	390	593
426	253	**(19)**	(38)	**169**	222	**88**	19	**1,198**	1,477
302	192	73	52	153	(18)	239	280	706	224
8	24	–	–	–	(1)	2	(5)	(121)	37
735	470	**54**	14	**322**	203	**329**	294	**1,782**	1,738
–	(10)	–	–	–	(29)	–	–	(77)	(59)
(2)		–		(4)		–		(7)	
–	–	–	–	(55)	(43)	–	–	(56)	(44)
86	55	56	20	21	6	42	16	408	326
2,946	2,286	**1,328**	1,204	**533**	281	**999**	808	**13,044**	11,298
111	107	117	116	84	69	128	116	1,398	1,374
1,141	1,127	3,037	2,388	703	803	675	501	9,782	11,642
225	220	420	355	155	149	195	167	2,376	2,538
2,651	2,544	3,637	3,033	1,410	1,335	1,694	1,471	27,751	26,998
60	25	**68**	66	**117**	94	**35**	36	**490**	453
26.7%	11.5%	16.1%	18.5%	75.4%	62.9%	17.9%	21.5%	20.6%	17.9%
2.3%	1.0%	1.9%	2.2%	8.3%	7.0%	2.1%	2.4%	1.8%	1.7%

Statement by Directors

Statement by Directors

This Embedded value report has been prepared in all material respects in accordance with the Market Consistent Embedded Value Principles and Guidance issued by the European Insurance CFO Forum in October 2009.

The methodology and assumptions underlying the report are described in sections 12 and 13.

Auditor's report on embedded value

Auditor's report on embedded value

To the Board of Directors of Zurich Insurance Group Ltd

We have audited the Embedded value report of Zurich Insurance Group Ltd ("the Company") included on pages 305 to 338 of the Annual Report 2013 for the year ended December 31, 2013. The embedded value information included in the Embedded value report has been prepared in accordance with the Market Consistent Embedded Value ("MCEV") Principles and Guidance issued by the European Insurance CFO Forum, as described on pages 324 to 329.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the Embedded value report in accordance with the MCEV Principles and Guidance, including consistency of the applied methodology and the assumptions used and for such internal controls as determined necessary to enable the preparation of the Embedded value report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on whether the Embedded value report has been properly prepared in accordance with the MCEV Principles and Guidance. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Embedded value report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Embedded value report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Embedded value report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the Embedded value report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the principles used and the reasonableness of significant estimates made, as well as evaluating the adequacy of the overall presentation of the Embedded value report.

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

Opinion
In our opinion, the Embedded value report of the Company for the year ended December 31, 2013 is prepared, in all material respects, in accordance with the MCEV Principles and Guidance.

Basis of preparation
Without modifying our opinion, we draw attention to sections 12 and 13 of the Embedded value report, which describe the basis of embedded value methodology and embedded value assumptions. The Embedded value report is prepared in compliance with the MCEV Principles and Guidance referred to above and as a result, may not be suitable for another purpose. This report does not extend to any financial statements of Zurich Insurance Group Ltd.

PricewaterhouseCoopers AG

Richard Burger
Audit expert

Stephen O'Hearn
Global relationship partner

Zurich, February 12, 2014

Holding company

Principal activity and review of the year

Zurich Insurance Group Ltd 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 is listed on the SIX Swiss Exchange.

Net income after taxes for the year was CHF 2,327 million compared with CHF 2,382 million in 2012. The result was mainly driven by the lower dividend income from its subsidiary Zurich Insurance Company Ltd which paid a dividend of CHF 2,200 million in 2013, compared with CHF 2,400 million in 2012 and by higher interest income of CHF 307 million compared with CHF 101 million in the previous year. In 2013, other financial expenses of CHF 207 million included impairments on investments in subsidiaries of CHF 160 million, compared with CHF 190 million in 2012, thereof CHF 75 million related to impairments on investments in subsidiaries.

The Annual General Meeting on April 4, 2013, approved a gross dividend of CHF 17.00 per share to be paid free of Swiss withholding tax to the shareholders out of the capital contribution reserve.

Shareholders’ equity decreased by CHF 36 million to CHF 16,662 million as of December 31, 2013, from CHF 16,699 million as of December 31, 2012, as a result of the dividend paid in 2013, partially offset by the net income after taxes for the year and capital contributed through the issuance of new shares to employees out of the contingent capital. The Board will propose a dividend from the capital contribution reserve of CHF 17.00 per share for the year 2013 for approval at the Annual General Meeting to be held on April 2, 2014.

Income statements

in CHF thousands, for the years ended December 31	Notes	2013	2012
Revenues			
Interest income	3	307,361	100,581
Dividend income		2,200,000	2,400,000
Other financial income	4	46,583	79,495
Other income	5	18,464	18,690
Total revenues		2,572,408	2,598,766
Expenses			
Administrative expense	6	(19,768)	(19,365)
Other financial expense	7	(207,372)	(190,330)
Tax expense	8	(18,230)	(6,934)
Total expenses		(245,370)	(216,629)
Net income after taxes		**2,327,038**	**2,382,137**

Holding company *continued*

Balance sheets

Assets

in CHF thousands, as of December 31	Notes	2013	2012
Non-current assets			
Investments in subsidiaries	9	11,619,569	11,779,569
Subordinated loans to subsidiaries	10	4,876,670	4,877,074
Total non-current assets		16,496,239	16,656,643
Current assets			
Cash and cash equivalents		767	12,786
Loans to subsidiaries		260,314	646,367
Receivables from subsidiaries		466,229	–
Receivables from third parties		99	808
Accrued income from subsidiaries		298	306
Accrued income from third parties		14	14
Total current assets		727,721	660,281
Total assets		**17,223,960**	**17,316,924**

Liabilities and shareholders' equity

in CHF thousands, as of December 31	Notes	2013	2012
Short-term liabilities			
Other liabilities to subsidiaries		–	668
Other liabilities to third parties		12,507	865
Other liabilities to shareholders		810	607
Accrued liabilities to subsidiaries		1,836	14,227
Accrued liabilities to third parties		40,250	63,622
Derivatives with subsidiaries		3,033	3,065
Total short-term liabilities		58,436	83,054
Long-term liabilities			
Long-term loans from subsidiaries		466,229	479,029
Provisions		36,874	56,067
Total long-term liabilities		503,103	535,096
Total liabilities		561,539	618,150
Shareholders' equity (before appropriation of available earnings)			
Share capital	12	14,890	14,830
Legal reserves:		8,660,644	11,029,552
Capital contribution reserve	*13*	*8,319,504*[1]	*10,688,412*
General capital contribution reserve		*7,997,448*	*10,359,588*
Reserve for treasury shares	*14*	*322,056*	*328,824*
General legal reserve		*341,140*	*341,140*
Free reserve:			
As of January 1		*332,986*	*332,986*
Transfer from capital contribution reserve		*5,457*	*2,494,314*
Dividends paid		*–*	*(2,494,314)*[2]
Free reserve, as of December 31		338,443	332,986
Retained earnings:			
As of January 1		*5,321,406*	*2,939,269*
Net income after taxes		*2,327,038*	*2,382,137*
Retained earnings, as of December 31		7,648,444	5,321,406
Total shareholders' equity (before appropriation of available earnings)		16,662,421	16,698,774
Total liabilities and shareholders' equity		**17,223,960**	**17,316,924**

[1] Dividends paid in the year, out of capital contribution reserve in respect of the 2012 result, amounting to CHF 2,507,249
[2] Dividends paid in the year, in respect of the 2011 result

Notes to the financial statements

1. Basis of Presentation

Zurich Insurance Group Ltd (the Company) presents its financial statements in accordance with Swiss law. The latest changes within the Swiss Code of Obligations effective January 1, 2013, were not yet adopted due to the transitional period.

Unless otherwise stated all amounts in these financial statements including the notes are shown in Swiss franc thousands, rounded to the nearest thousand.

2. 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 holding company's business activities. They are carried at cost less adjustments for impairment.

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) Derivatives

Derivatives are carried at market value, with changes in the market value recorded in the income statements.

3. Interest income

Interest income is earned mainly on the Company's subordinated loan of CHF 4,832 million with its subsidiary Zurich Insurance Company Ltd. The increase of CHF 207 million compared to 2012 is the result of higher interest earned in 2013 on this loan.

4. Other financial income

Other financial income primarily includes realized foreign exchange gains and net gains on derivatives with subsidiaries.

5. Other income

Other income for 2013 mainly represents the partial release of CHF 18.4 million (prior year CHF 18.7 million) of the irrevocable commitment made by the Company on behalf of the Zurich Insurance Group to the Z Zurich Foundation in 2011, as another Group company made the 2013 and 2012 payments.

6. Administrative expense

Administrative expense includes directors' fees of CHF 4.0 million for the year ended December 31, 2013 and CHF 4.1 million for the previous year as well as overhead expenses of CHF 10.0 million for both the years ended December 31, 2013 and 2012. Fees paid to the Swiss Financial Market Supervisory Authority slightly increased by CHF 0.1 million to CHF 3.5 million for 2013.

7. Other financial expense

Other financial expense includes impairments on investments in subsidiaries of CHF 160 million in 2013 and CHF 75 million in the previous year.

8. Tax expense

The tax expense consists of income, capital and other taxes.

Holding company *continued*

9. Investments in subsidiaries

Investment in subsidiaries

as of December 31	2013		2012	
	Carrying value[1]	**Voting rights in %**	Carrying value[1]	Voting rights in %
Zurich Insurance Company Ltd	11,088,466	100.00	11,088,466	100.00
Zurich Financial Services EUB Holdings Ltd	372,936	99.90	532,936	99.90
Farmers Group, Inc.	157,992	12.10	157,992	12.10
Allied Zurich Limited	175	100.00	175	100.00
Total	**11,619,569**		**11,779,569**	

[1] in CHF thousands

The investment in Zurich Financial Services EUB Holdings Limited was impaired by CHF 160 million in 2013 compared with an impairment of CHF 75 million in the previous year.

10. Subordinated loans to subsidiaries

Subordinated loans have remained unchanged in local currency compared with 2012, and mainly include a loan to Zurich Insurance Company Ltd of CHF 4,832 million as of December 31, 2013 and 2012.

11. Commitments and contingencies

Zurich Insurance Group Ltd has provided unlimited guarantees in support of various entities belonging to the Zurich Capital Markets group of companies. The Company has also entered into various support agreements and guarantees for the benefit of certain of its subsidiaries and their directors. They amounted to CHF 11,448 million as of December 31, 2013, and CHF 11,587 million as of December 31, 2012. CHF 8,256 million out of the total of CHF 11,448 million relate to guarantees in the aggregate amount of GBP 5,595 million provided to a fully owned subsidiary and certain of its directors in connection with the restructuring of the Group's top legal holding structure which resulted in the merger of Zurich Group Holding into Zurich Insurance Group Ltd (formerly known as Zurich Financial Services Ltd) in December 2009. These guarantees will expire in August 2015. Furthermore, the Zurich Insurance Group Ltd 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 knows of no event of default that would require it to satisfy any of these guarantees or to take action under a support agreement.

12. Shareholders' equity

a) Issued share capital

In 2013, there was no change to the ordinary share capital. At the Annual General Meeting on March 29, 2012, the shareholders approved an extension of authorized share capital with the number of shares remaining unchanged at 10,000,000 fully paid registered shares with a nominal value of CHF 0.10 each until March 29, 2014. In 2012, there were no changes to the ordinary share capital or to the authorized share capital.

During the years 2013 and 2012, a total of 603,099 shares and 914,301 shares, respectively, were issued to employees out of the contingent capital.

b) Authorized share capital

Until March 29, 2014, the Board of Zurich Insurance Group Ltd is authorized to increase the share capital by an amount not exceeding CHF 1,000,000 by issuing up to 10,000,000 fully paid registered shares with a nominal value of CHF 0.10 each. An increase in partial amounts is permitted. The Board would determine the date of issue of such new shares, the issue price, type of payment, conditions for exercising pre-emptive 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 pre-emptive rights which have not been exercised, or it may place these rights as well as shares, the pre-emptive rights of which have not been exercised, at market conditions.

The Board is further authorized to restrict or withdraw the pre-emptive rights of shareholders and to allocate them to third parties if the shares are to be used for the take-over of an enterprise, or parts of an enterprise or of participations or if issuing shares for 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.

c) Contingent share capital

Capital market instruments and option rights to shareholders

The share capital of Zurich Insurance Group Ltd may be increased by an amount not exceeding CHF 1,000,000 by the issuance of up to 10,000,000 fully paid registered shares with a nominal value of CHF 0.10 each (i) by exercising of conversion and/or option rights which are granted in connection with the issuance of bonds or similar debt instruments by Zurich Insurance Group Ltd or one of its Group companies in national or international capital markets; and/or (ii) by exercising option rights which are granted to current shareholders. When issuing bonds or similar debt instruments connected with conversion and/or option rights, the pre-emptive rights of the shareholders will be excluded. The current owners of conversion and/or option rights 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 bonds or similar debt instruments connected with conversion and/or option rights, to restrict or withdraw the right of shareholders for advance subscription in cases where such bonds are issued for the financing or re-financing of a takeover of an enterprise, of parts of an enterprise, or of participations. If the right for advance subscription is withdrawn by the Board, the convertible bond or warrant issues are to be offered at market conditions (including standard dilution protection provisions in accordance with market practice) and the new shares are issued at the current convertible bond or warrant issue conditions.

The conversion rights may be exercisable during a maximum of ten years and option rights for a maximum of seven years from the time of the respective issue. The conversion or option price or its calculation methodology shall be determined in accordance with market conditions, whereby for shares of Zurich Insurance Group Ltd, the quoted share price is to be used as a basis.

Employee participation

On January 1, 2012, the contingent share capital, to be issued to employees of Zurich Insurance Group Ltd and its subsidiaries, amounted to CHF 390,943.70 or 3,909,437 fully paid registered shares with a nominal value of CHF 0.10 each. On January 1, 2013, the contingent share capital, to be issued to employees of Zurich Insurance Group Ltd and its subsidiaries, amounted to CHF 299,513.60 or 2,995,136 fully paid registered shares with a nominal value of CHF 0.10 each.

During 2013 and 2012, 603,099 shares and 914,301 shares, respectively, were issued to employees out of the contingent share capital. Of the total 603,099 registered shares issued to employees during the year 2013, 479,377 shares were issued in the period from January 1, 2013 to March 31, 2013 and 123,722 registered shares were issued as from April 1, 2013, to December 31, 2013. As a result, on December 31, 2013 and 2012, respectively, the remaining contingent share capital, which can be issued to employees of Zurich Insurance Group Ltd and its subsidiaries, amounted to CHF 239,203.70 and CHF 299,513.60 or 2,392,037 and 2,995,136 fully paid registered shares, respectively, with a nominal value of CHF 0.10 each. Pre-emptive rights of the shareholders, as well as the right for advance subscription, are excluded. The issuance of shares to employees is subject to one or more regulations to be issued by the Board and take into account performance, functions, levels of responsibility and criteria of profitability. Shares or option rights may be issued to the employees at a price lower than the price quoted on the SIX Swiss Exchange.

Holding company *continued*

13. Capital contribution reserve

Capital contribution reserve

in CHF thousands	2013	2012
As of January 1	10,688,412	12,981,667
Transfer to free reserve for dividend payment	–	(2,494,314)
Transfer to free reserve (adjustment capital contribution reserve)	(5,457)	–
Dividend payment out of capital contribution reserve	(2,507,249)	–
Agio on share-based payment transactions	143,798	200,631
Subscription rights out of capital increase 2002	–	428
As of December 31	**8,319,504**	**10,688,412**

14. Capital contribution reserve (reserve for treasury shares)

This reserve corresponds to the purchase value of all Zurich Insurance Group Ltd shares held by companies in the Zurich Insurance Group as shown in the table below. The Company itself does not hold any treasury shares.

Capital contribution reserve (reserve for treasury shares)

	Number of shares 2013	Purchase value 2013[1]	Number of shares 2012	Purchase value 2012[1]
As of January 1	1,348,395	328,824	1,373,392	334,910
Additions during the year	–	–	120	19
Sales during the year	(27,743)	(6,768)	(25,117)	(6,105)
As of December 31	**1,320,652**	**322,056**	**1,348,395**	**328,824**
Average purchase price of additions, in CHF		–		155
Average selling price, in CHF		247		229

[1] in CHF thousands

15. Shareholders

The shares registered in the share ledger as of December 31, 2013, were owned by 127,992 shareholders of which 122,403 were private individuals holding 26.2 percent of the shares (or 16.3 percent of all outstanding shares), 2,046 were foundations and pension funds holding 6.9 percent of the shares (or 4.3 percent of all outstanding shares), and 3,543 were other legal entities holding 66.9 percent of the shares (or 41.5 percent of all outstanding shares).

According to information available as of December 31, 2013, Zurich Insurance Group Ltd is not aware of any person or institution, other than BlackRock, Inc., New York, (4.97%) and Norges Bank, Oslo, (3.07%) 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 representing three percent or more of its issued shares.

Information required by art. 663c paragraph 3 of the Swiss Code of Obligations on the share and option holdings of the members of the Board of Directors and the members of the Group Executive Committee are disclosed in note 18.

16. Information on the risk assessment process

Refer to the disclosures in the Risk review on pages 127 to 168 of this Annual Report.

17. Remuneration of the Board of Directors and the Group Executive Committee

This note sets out details of the remuneration of the Board and of the members of the Group Executive Committee (GEC) in accordance with the information required by articles 663b[bis] and 663c paragraph 3 of the Swiss Code of Obligations. This information should be read in connection with the unaudited Remuneration report, set out on pages 70 to 99 in which additional details of the remuneration principles and architecture can be found.

The remuneration paid to the Directors for their Board membership of Zurich Insurance Group Ltd, the holding company of the Group, and Zurich Insurance Company Ltd is paid entirely by Zurich Insurance Group Ltd. The fees for Mr. de Swaan's additional Board membership in Zurich Insurance plc (ZIP) and for the additional Board memberships of Ms. Bies and Mr. Nicolaisen in Zurich Holding Company of America (ZHCA) are paid by the respective companies. Remuneration paid to the members of the GEC is not paid by Zurich Insurance Group Ltd, but by the Group entities where they are employed. The remuneration shown below includes the remuneration that the members of the Board and the GEC received for all their functions in the Group. As the financial statements of the holding company are presented in Swiss francs, all figures are shown in Swiss francs, with totals also presented in U.S. dollars. The remuneration paid to the members of the Board is presented in Swiss francs. The remuneration of the members of the GEC is paid in local currency and therefore year-on-year comparisons are affected by movements in exchange rates.

Remuneration of Directors

The following tables set out the total fees paid to Directors of Zurich Insurance Group Ltd. All the Directors are also Directors of Zurich Insurance Company Ltd. The Directors receive a combined fee for their work in connection with Zurich Insurance Group Ltd and Zurich Insurance Company Ltd. In addition, Mr. de Swaan is a member of the Board of ZIP and Ms. Bies and Mr. Nicolaisen are members of the Board in ZHCA. The fee structure for Directors was reviewed and no changes were made for 2013. The fees are set out in the Remuneration report on page 84.

A fixed portion of the fee continues to be allocated towards the provision of three-year sales-restricted Zurich Insurance Group Ltd shares. The portion for the Chairman was set at CHF 333,500 for both years ended December 31, 2013 and 2012, the portion for the Vice-Chairman was set at CHF 125,000 for both years ended December 31, 2013 and 2012 and the portion for the other members of the Board at CHF 80,000 for both years ended December 31, 2013 and 2012. The overall fees are set out in the following tables:

Directors' fees 2013

in CHF							2013[1]
	Basic fee	Committee fee[2]	Chair fee[3]	Other fee[7]	Total fees[8]	Of which paid in cash	Of which allocated in shares[4,5]
T. de Swaan, Chairman[6,10]	589,041	–	–	80,000	669,041	544,041	125,000
J. Ackermann, Former Chairman[6,10]	666,750	–	–	–	666,750	333,250	333,500
F. Kindle, Vice-Chairman[6,10]	281,424	34,658	–	–	316,082	236,082	80,000
S. Bies, Member	240,000	50,000	9,206	50,000	349,206	269,206	80,000
A. Carnwath, Member	240,000	50,000	–	–	290,000	210,000	80,000
V.L.L. Chu, Member	240,000	50,000	–	–	290,000	210,000	80,000
R. del Pino, Member	240,000	50,000	–	–	290,000	210,000	80,000
Th. Escher, Member	240,000	50,000	30,000	–	320,000	240,000	80,000
M. Mächler, Member[10]	177,986	37,260	–	–	215,246	155,630	59,616
A. Meyer, Member[10]	61,808	12,877	–	–	74,685	74,685	–
D. Nicolaisen, Member	240,000	50,000	40,000	50,000	380,000	300,000	80,000
R. Watter, Member	240,000	50,000	–	–	290,000	210,000	80,000
Total in CHF[9]	**3,457,009**	**434,795**	**79,206**	**180,000**	**4,151,009**	**2,992,893**	**1,158,116**
Total in USD[12]	**3,760,357**	**472,947**	**86,156**	**195,795**	**4,515,255**	**3,255,516**	**1,259,739**

Holding company *continued*

Directors' fees 2012

in CHF	2012[1]						
	Basic fee	Committee fee[2]	Chair fee[3]	Other fee[7]	Total fees[8]	Of which paid in cash	Of which allocated in shares[4, 13]
J. Ackermann, Chairman[6,11]	846,198	–	–	–	846,198	563,399	282,799
M. Gentz, Former Chairman[6,11]	243,170	–	–	–	243,170	243,170	n/a
T. de Swaan, Vice-Chairman[6,11]	342,172	12,159	7,295	85,000	446,626	332,569	114,057
S. Bies, Member	240,000	50,000		50,000	340,000	260,000	80,000
A. Carnwath, Member[11]	181,202	37,705	–	–	218,907	158,361	60,546
V.L.L. Chu, Member	240,000	50,000	–	–	290,000	210,000	80,000
R. del Pino, Member[11]	181,202	37,705	–	–	218,907	158,361	60,546
Th. Escher, Member	240,000	50,000	22,623	–	312,623	232,623	80,000
F. Kindle, Member	240,000	50,000	–	–	290,000	210,000	80,000
A. Meyer, Member	240,000	50,000	–	–	290,000	210,000	80,000
D. Nicolaisen, Member	240,000	50,000	40,000	50,000	380,000	300,000	80,000
V.L. Sankey, Member[11]	58,361	12,159	7,295	–	77,815	77,815	n/a
R. Watter, Member	240,000	50,000	–	–	290,000	210,000	80,000
Total in CHF[9]	**3,532,305**	**449,728**	**77,213**	**185,000**	**4,244,246**	**3,166,298**	**1,077,948**
Total in USD[12]	**3,797,932**	**483,547**	**83,019**	**198,912**	**4,563,411**	**3,404,402**	**1,159,009**

[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] Committee members receive a cash fee of CHF 50,000 (CHF 50,000 in 2012) 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 on page 38.
[3] Committee chairs receive an annual fee of CHF 30,000 (CHF 30,000 in 2012) and the chair of the Audit Committee receives an additional CHF 10,000 (CHF 10,000 in 2012). Ms. Bies took on the role of the Risk Committee Chair as of September 11, 2013. The committees on which the Directors serve and the chairs are set out in the Corporate Governance Report on page 38.
[4] The shares allocated to the Directors are sales-restricted for three years.
[5] As of June 16, 2013, Mr. Ackermann was allocated 1,384 shares, Mr. de Swaan was allocated 518 shares, and the other Board members were allocated 332 shares. The share price (CHF 240.90) as of June 15, 2013 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 receive any additional fees for their committee work.
[7] In addition to the fees received as Directors of Zurich Insurance Group Ltd, Ms. Bies, Mr. Nicolaisen and Mr. de Swaan earned fees for their board memberships of the following of Zurich Insurance Group companies:
– In both 2013 and 2012, Ms. Bies and Mr. Nicolaisen earned CHF 50,000 for their membership of the board of Zurich Holding Company of America (ZHCA).
– In 2013, Mr. de Swaan earned CHF 75,000 for his membership of the board of Zurich Insurance plc. He also earned an annual fee of CHF 5,000 for being chair of the audit committee of this company. In 2012, Mr. de Swaan earned CHF 75,000 in respect for his work on the board of Zurich Insurance plc and Zurich Life Assurance plc. He also earned an annual fee of CHF 10,000 for being chair of the audit committees of these two companies.
[8] Swiss-based Directors are eligible for selected employee benefits.
[9] In line with applicable laws, Zurich paid the company-related portion of contributions to social security systems, which amounted to CHF 136,246 in 2013. The corresponding contributions amounted to CHF 160,340 in 2012. Any personal contributions of the Directors to social security systems are included in the amounts shown in the table above.
[10] At the Annual General Meeting on April 4, 2013, Mr. Meyer retired from the Board and Ms. Mächler was elected to the Board. In August 2013, Mr. Ackermann resigned from the Board. Mr. de Swaan was appointed Chairman and Mr. Kindle Vice-Chairman of the Board of Directors as of September 11, 2013.
[11] At the Annual General Meeting on March 29, 2012, Mr. Gentz and Mr. Sankey retired from the Board and Ms. Carnwath and Mr. del Pino were elected to the Board. Mr. Ackermann was appointed Chairman and Mr. de Swaan Vice-Chairman of the Board of Directors.
[12] The amounts have been translated from Swiss francs to US dollars at the relevant exchange rates throughout the year.
[13] As of June 16, 2012, Mr. Ackermann was allocated 1,365 shares, Mr. de Swaan was allocated 550 shares, and the other Board members were allocated 386 shares. The share price (CHF 207.10) as of June 16, 2012 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.

The Directors' fees are not pensionable. None of the Directors received any benefits-in-kind or any other compensation other than that set out in the tables above.

At the Annual General Meeting on April 4, 2013, the term of office of Mr. Meyer expired and he did not stand for re-election as he had served the maximum tenure. No termination payments (i.e. "golden parachutes") were made and no other benefits such as waiver of lock-up periods for equities, shorter vesting periods or additional contributions to occupational pension schemes were provided. Ms. Mächler was elected new member of the Board. No special payments (i.e. "golden handshakes") or other benefits were provided.

Except for Mr. Watter none of the Directors had outstanding loans, advances or credits as of December 31, 2013 or 2012. Unrelated to his Board membership and on terms and conditions available to other customers, Mr. Watter had a collateralized policy loan of CHF 2.5 million outstanding as of December 31, 2013 and 2012. The annual interest rate charged on the loan is 4 percent.

No benefits (or waiver of claims) have been provided to former members of the Board during the year 2013 or during the year 2012. Neither had any former member of the Board outstanding loans, advances or credits as of December 31, 2013 or 2012.

No benefits (or waiver of claims) have been provided to related parties of the Directors or related parties of former members of the Board during the year 2013, nor during the year 2012. Neither had any related party of the Directors or of former members of the Board outstanding loans, advances or credits as of December 31, 2013 or 2012.

Remuneration of Group Executive Committee

The total remuneration of the members of the GEC for 2013 comprised the value of cash compensation, pensions, other remuneration and the value of the target equity grants made under the Group's Long-Term Incentive Plan in 2013 and is calculated based on the same methodology as in 2012. Overall compensation of the GEC members in total
and the overall compensation of the highest paid executive are set out in the following tables:

All GEC members (incl. the highest paid)

in CHF million[1], for the years ended December 31	**2013[2]**	2012[3]
Base salaries	10.70	11.30
Cash incentive awards earned for the year	10.80	11.20
Value of target performance share grants[4]	15.30	15.20
Service costs for pension benefits[5]	3.00	3.10
Value of other remuneration[6]	2.70	1.80
Total in CHF million[7]	**42.50**	**42.60**
Total in USD million[8]	**46.30**	**46.40**

[1] The remuneration shown in the table is gross, based on the accrual principle and does not include any business related expenses incurred in the performance of the members' services.
[2] On the basis of 11 GEC members, of whom 9 served during the full year 2013. Included in the figures are the relevant compensation amounts for the 2 individuals who were acting "ad interim" in the positions Chief Financial Officer and Group Head of Operations during the year.
[3] On the basis of 13 GEC members, of whom 9 served during the full year 2012.
[4] The share grants will vest in the future according to achievement of defined performance conditions. The value of the shares assumes that the grant will vest in the future at 100 percent of the target level with the valuation of the target performance share grants based on the share price on the day prior to the grants (CHF 267.30 for 2013 and CHF 225.90 for 2012).
[5] The amounts reflect the total value of pension benefits accruing to members of the GEC during 2013 and 2012, respectively, 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 takes the amount of the company contribution paid during the year. Service costs do not include the interest costs on accrued benefits, adjustments for actuarial gains and losses, nor the expected return on any assets held.
[6] Includes employee benefits, expatriate allowances, perquisites, benefits-in-kind and any other payments due under employment contracts. Benefits-in-kind have been valued using market rates.
[7] In line with applicable laws where the executives are employed, Zurich paid the company-related portion of contributions to social security systems, which amounted to CHF 1.5 million in 2013 and CHF 1.6 million in 2012. Since the contributions are based on full earnings, whereas benefits are capped, there is not a direct correlation between the costs paid to the social security system and the benefits received by the executives.
[8] The amounts have been translated to US dollars at the relevant exchange rates throughout the year and the cash incentive to be paid in 2014 has been translated at the year-end rate in 2013.

Holding company *continued*

Highest paid executive, Chief Executive Officer, Martin Senn

in CHF millions[1], for the years ended December 31	2013	2012
Base salary	1.60	1.60
Cash incentive awards earned for the year	2.00	2.00
Value of target performance share grants[2]	3.60	3.60
Service costs for pension benefits[3]	0.30	0.30
Value of other remuneration[4]	0.10	0.10
Total in CHF million	**7.60**	**7.60**
Total in USD million[5]	**8.10**	**8.30**

[1] The remuneration shown in the table is gross, based on the accrual principle and does not include any business related expenses incurred in the performance of the CEO's services.
[2] The share grants will vest in the future according to the achievement of defined performance conditions. The value of the shares assumes that the grant will vest in the future at 100 percent of the target level with the valuation of the target performance share grants based on the share price on the day prior to the grants (CHF 267.30 for 2013 and CHF 225.90 for 2012).
[3] The amounts reflect the total value of pension benefits, 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 takes the amount of the company contribution paid during the year. Service costs do not include the interest costs on accrued benefits, adjustments for actuarial gains and losses, nor the expected return on any assets held.
[4] Includes employee benefits, perquisites, benefits-in-kind and any other payments due under the employment contract. Benefits-in-kind have been valued using market rates.
[5] Mr. Senn's remuneration is paid in Swiss francs. The amounts have been translated from Swiss francs to US dollars at the relevant exchange rates throughout the year and the cash incentive to be paid in 2014 has been translated at the year-end rate in 2013.

As of December 31, 2013 and 2012, there were no loans, advances or credits outstanding from GEC members.

During 2013, one member of the GEC left the Group and one other member died. In these circumstances, the remuneration provided was in line with terms of their employment contracts. No termination payments (i.e. "golden parachutes") were made and no other benefits such as agreements concerning special notice periods or longer term contracts (exceeding 12 months in duration), waiver of lock-up periods for equities, shorter vesting periods or additional contributions to occupational pension schemes were provided. No former members of the GEC received remuneration in 2013. In addition, as of December 31, 2013 and 2012 no former member of the Group Executive Committee had any outstanding loans, advances or credits.

No benefits (or waiver of claims) have been provided to related parties of GEC members or related parties of former members of the GEC during the year 2013 or 2012. Neither had any related party of GEC members or of former members of the GEC outstanding loans, advances or credits as of December 31, 2013 or 2012.

18. Shareholdings of the Board of Directors and the Group Executive Committee

Share and share option holdings of the Directors and of the members of the GEC, who held office as of December 31, 2013 and 2012, are set out below in accordance with the information required by article 663c paragraph 3 of the Swiss Code of Obligations. This information is also included in the unaudited Remuneration report, set out on pages 70 to 99 of the Annual Report in which additional details can be found.

Shareholdings of Directors

Shareholdings of Directors

Number of Zurich Insurance Group Ltd shares [1], as of December 31	Ownership of shares	
	2013	2012
T. de Swaan, Chairman	2,597	2,079
J. Ackermann, Former Chairman	n/a	23,271
F. Kindle, Vice Chairman	17,247	16,915
S. Bies, Member	1,964	1,632
A. Carnwath, Member	624	292
V.L.L. Chu, Member	1,964	1,632
R. del Pino, Member	624	292
Th. Escher, Member	9,802	9,470
A. Meyer, Member	n/a	3,239
M. Mächler, Member	247	n/a
D. Nicolaisen, Member	2,247	1,915
R. Watter, Member	5,215	4,883
Total	**42,531**	**65,620**

[1] None of the Directors together with parties related to them held more than 0.5 percent of the voting rights of Zurich Insurance Group Ltd shares as of December 31, 2013 or 2012, respectively.

All interests are beneficial, include sales-restricted shares allocated to the Directors as part of their fees and shares held by related parties of the Directors.

None of the Directors, nor any related party of a Director, held any share options or conversion rights over Zurich Insurance Group Ltd shares as of December 31, 2013 or 2012.

Share and share option holdings of the members of the GEC

The following table sets out the actual share and share option holdings of the members of the GEC as of December 31, 2013 and 2012. In addition to any shares acquired in the market, the numbers include vested shares, whether sales-restricted or not, and vested share options received under the Group's Long-Term Incentive Plan. However, the table does not include the share interests of the members of the GEC through their participation in the currently unvested performance shares and unvested restricted shares.

All interests are beneficial and include Zurich Insurance Group Ltd shares or share options held by parties related to the members of the GEC. One vested option gives the right to one share with normal voting and dividend rights. Further details on the overall number of share options allocated under the Group's Long-Term Incentive Plan and the terms of the options are set out in the tables "Summary of outstanding options". With effect from 2011, share option grants were discontinued. Those option grants made in the period up to and including 2010 continue to earn out in accordance with the terms and conditions of those grants.

Holding company *continued*

Share and vested share option holdings of the GEC members

Number of vested shares and vested share options [1], as of December 31	2013		2012	
	Ownership of shares	**Ownership of vested options over shares**[2]	Ownership of shares	Ownership of vested options over shares[2]
M. Senn, Chief Executive Officer	41,392	107,212	29,719	103,447
J. Dailey, CEO of Farmers Group, Inc.	3,564	17,605	2,373	14,987
M. Foley, Chief Executive Officer North America Commercial and Regional Chairman of the Americas	8,679	59,404	9,306	52,710
Y. Hausmann, Group General Counsel	5,644	10,193	3,728	7,301
K. Hogan, Former CEO Global Life[3]	n/a	n/a	3,080	13,032
M. Kerner, CEO General Insurance	9,090	21,588	8,469	24,432
A. Lehmann, Chief Risk Officer and Regional Chairman of Europe	27,955	79,559	23,128	84,640
M. Nordlin, ad interim Group Head of Operations[4]	5,288	11,322	n/a	n/a
C. Reyes, Chief Investment Officer	8,041	25,922	4,823	22,012
G. Riddell, Regional Chairman of Asia-Pacific & Middle East	27,840	67,171	25,002	73,136
V. Sharma, ad interim Chief Financial Officer[5]	3,988	8,741	n/a	n/a
K. Terryn, CEO Global Life	7,086	20,302	4,324	20,540
P. Wauthier, Former Chief Financial Officer[6]	n/a	n/a	4,947	23,283
	148,567	**429,019**	**118,899**	**439,520**

[1] None of the GEC members together with parties related to them held more than 0.5 percent of the voting rights as at December 31, 2013 or 2012, either directly or through share options.
[2] The distribution of the vested options according to the grants identified in the tables "Summary of outstanding options" is shown in the table below.
[3] Mr. Hogan left the function on August 1, 2013 and his employment contract terminated on October 12, 2013.
[4] Mr. Nordlin, currently Chief Information Officer assumed responsibility for Group Operations on an ad interim basis succeeding Mr. Terryn effective August 14, 2013. He is formally not a member of the GEC.
[5] Mr. Sharma, currently Group Controller assumed responsibility for Group Finance on an ad interim basis succeeding Mr. Wauthier effective August 26, 2013. He is formally not a member of the GEC.
[6] Mr. Wauthier died on August 26, 2013.

The following tables show how the totals of vested share options owned by members of the GEC as of December 31, 2013 and 2012, are distributed according to the grants identified in the tables "Summary of outstanding options."

Distribution of vested share options 2013

Number of vested share options as of December 31, 2013	Year of grant				Total
	2010	2009	2008	2007	
M. Senn	54,883	16,035	17,094	19,200	107,212
J. Dailey	9,231	3,284	5,090	n/a	17,605
M. Foley	23,601	13,640	11,568	10,595	59,404
Y. Hausmann	10,193	n/a	n/a	n/a	10,193
M. Kerner	7,637	4,414	4,210	5,327	21,588
A. Lehmann	29,402	16,035	17,094	17,028	79,559
M. Nordlin[1]	4,699	2,182	2,082	2,359	11,322
C. Reyes	19,601	2,115	2,256	1,950	25,922
G. Riddell	21,963	12,255	14,330	18,623	67,171
V. Sharma[2]	7,553	1,188	n/a	n/a	8,741
K. Terryn[3]	8,781	4,789	3,624	3,108	20,302
P. Wauthier[4]	n/a	n/a	n/a	n/a	n/a
Total	**197,544**	**75,937**	**77,348**	**78,190**	**429,019**

[1] Mr. Nordlin, currently Chief Information Officer assumed responsibility for Group Operations on an ad interim basis succeeding Mr. Terryn effective August 14, 2013. He is formally not a member of the GEC.
[2] Mr. Sharma, currently Group Controller assumed responsibility for Group Finance on an ad interim basis succeeding Mr. Wauthier effective August 26, 2013. He is formally not a member of the GEC.
[3] Mr. Terryn, former Group Head of Operations, was appointed to CEO Global Life effective August 14, 2013.
[4] Mr. Wauthier died on August 26, 2013.

Distribution of vested share options 2012

Number of vested share options as of December 31, 2012	Year of grant					Total
	2010	2009	2008	2007	2006	
M. Senn	39,316	16,035	17,094	19,200	11,802	103,447
J. Dailey[1]	6,613	3,284	5,090	n/a	n/a	14,987
M. Foley	16,907	13,640	11,568	10,595	n/a	52,710
Y. Hausmann[2]	7,301	n/a	n/a	n/a	n/a	7,301
K. Hogan	7,212	5,820	n/a	n/a	n/a	13,032
M. Kerner[3]	5,471	4,414	4,210	5,327	5,010	24,432
A. Lehmann	21,063	16,035	17,094	17,028	13,420	84,640
C. Reyes	14,041	2,115	2,256	1,950	1,650	22,012
G. Riddell	15,734	12,255	14,330	18,623	12,194	73,136
K. Terryn	6,290	4,789	3,624	3,108	2,729	20,540
P. Wauthier	5,701	4,341	4,627	4,675	3,939	23,283
Total	**145,649**	**82,728**	**79,893**	**80,506**	**50,744**	**439,520**

[1] Mr. Dailey was appointed to the GEC as of January 1, 2012.
[2] Mr. Hausmann was appointed to the GEC as of July 1, 2012.
[3] Mr. Kerner was appointed to the GEC as of September 1, 2012.

The following tables set out additional details of the options outstanding for members of the GEC as at December 31, 2013 and 2012, respectively. Further details can be found in the unaudited Remuneration report, pages 70 to 99.

Holding company *continued*

Summary of outstanding options, 2013

as of December 31, 2013

Year of grant	Number of options vested	Number of options unvested	Total number of shares under option	Exercise price per share CHF	Year of expiry
2010	197,544	–	197,544	259.90	2017
2009	75,937	–	75,937	198.10	2016
2008	77,348	–	77,348	336.50	2015
2007	78,190	–	78,190	355.75	2014
Total	**429,019**	**–**	**429,019**		

Summary of outstanding options, 2012

as of December 31, 2012

Year of grant	Number of options vested	Number of options unvested	Total number of shares under option	Exercise price per share CHF	Year of expiry
2010	145,649	59,453	205,102	259.90	2017
2009	82,728	–	82,728	198.10	2016
2008	79,893	–	79,893	336.50	2015
2007	80,506	–	80,506	355.75	2014
2006	50,744	–	50,744	308.00	2013
Total	**439,520**	**59,453**	**498,973**		

Proposed appropriation of available earnings and capital contribution reserve

as of December 31	2013	2012
Registered shares eligible for dividends		
Eligible shares	148,903,222	148,300,123

in CHF thousands	2013	2012
Appropriation of available earnings as proposed by the Board of Directors		
Net income after taxes	2,327,038	2,382,137
Balance brought forward	5,321,406	2,939,269
Retained earnings	7,648,444	5,321,406
Balance carried forward	7,648,444	5,321,406

The Board of Directors proposes to the shareholders at the Annual General Meeting on April 2, 2014, to carry forward retained earnings of CHF 7,648,444,276 as shown in the above table.

in CHF thousands	Capital contribution reserve
Appropriation of capital contribution reserve	
Balance at January 1, 2014 (incl. reserve for treasury shares)	8,319,504
Dividend payment out of capital contribution reserve	(2,531,355)[1]
Balance carried forward	5,788,149[1]

[1] These figures are based on the issued share capital as of December 31, 2013. They may change following the issuance of shares out of contingent capital for employees after the balance sheet date (see note 12). Treasury shares are not entitled to dividends.

The Board of Directors proposes to the Annual General Meeting on April 2, 2014, to pay out a dividend of CHF 2,531 million from the capital contribution reserve.

If this proposal is approved, a payment of CHF 17.00 per share exempt from Swiss withholding tax is expected to be paid starting from April 9, 2014.

Zurich, February 12, 2014

On behalf of the Board of Directors of Zurich Insurance Group Ltd

T. de Swaan

Report of the statutory auditor

Report of the statutory auditor

To the General Meeting of Zurich Insurance Group Ltd

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Zurich Insurance Group Ltd, which comprise the income statement, balance sheet and notes (pages 341–354), for the year ended December 31, 2013.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2013, comply with Swiss law and the Company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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 (page 355) complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Richard Burger	Peter Bieri
Audit expert	Audit expert
Auditor in charge	

Zurich, February 12, 2014

Report in relation to the conditional capital increase

Report in Relation to the Conditional Capital Increase

To the Board of Directors of Zurich Insurance Group Ltd

On your instructions, we have audited in accordance with Art. 653f, paragraph 1 Swiss Code of Obligations the issuance of new shares, which took place during the period of January 1, 2013, to December 31, 2013, according to the resolution of the general meeting of March 30, 2010.

It is the duty of the Board of Directors to perform the issuance of new shares in accordance with the requirements of the Company's statutes. Our responsibility is to perform audit procedures designed to test whether the issuance was performed in accordance with the law and requirements of the Company's statutes. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether material violations against legal and statutory requirements and deviations from the regulations as mentioned in the prospectus regarding the issuance of shares are detected. We have performed audit procedures appropriate to the circumstances and we believe that our audit provides a reasonable basis for our opinion.

In our opinion, the issuance of 603,099 registered shares with a par value of CHF 0.10 complies with Swiss law and the Company's articles of incorporation.

PricewaterhouseCoopers AG

Richard Burger Audit expert Auditor in charge	Peter Bieri Audit expert

Zurich, January 10, 2014

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Informations pour les actionnaires

Dans cette section

Informations pour les actionnaires

Données relatives aux actions nominatives de Zurich Insurance Group SA

Indicateurs clés

au 31 décembre	2013	2012
Nombre d'actions émises	148 903 222	148 300 123
Nombre d'actions donnant droit à dividende [1]	148 903 222	148 300 123
Capitalisation boursière (en millions de CHF, cours de fin de période)	38 491	36 096
Capital autorisé, nombre d'actions	10 000 000	10 000 000
Capital conditionnel, nombre d'actions	12 392 037	12 995 136

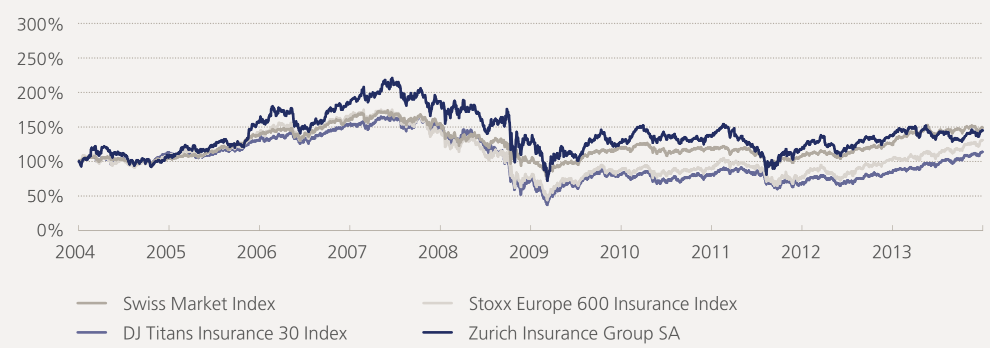
[1] Les propres actions ne donnent pas droit à dividende.

Données par action

en CHF	2013	2012
Dividende brut	17.00[1]	17.00
Bénéfice de base par action	25.33	24.84
Bénéfice dilué par action	25.23	24.72
Valeur comptable par action, au 31 décembre	196.14	214.86
Valeur nominale par action	0.10	0.10
Cours de fin de période	258.50	243.40
Cours le plus haut de la période	270.30	245.00
Cours le plus bas de la période	228.80	193.10

[1] Dividende proposé, soumis à l'approbation des actionnaires lors de l'Assemblée générale ordinaire 2014; la date de paiement est prévue dès le 9 avril 2014. Le dividende sera payé à partir de la réserve d'apport en capital, et exonéré de l'impôt anticipé suisse.

Performance de l'action Zurich (indexée) sur les dix dernières années



Source: Thomson Reuters

Dividende/historique de paiement

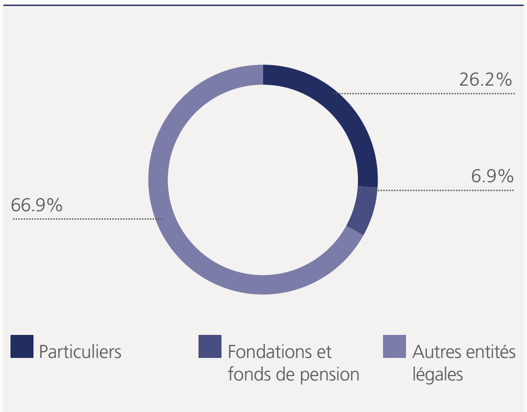
	Exercice comptable	Montant brut par action nominative, en CHF	Date de paiement dès le
Dividende	2013	17.00[1]	9 avril 2014[1]
Dividende	2012	17.00	11 avril 2013
Dividende	2011	17.00	5 avril 2012
Dividende	2010	17.00	7 avril 2011
Dividende	2009	16.00	8 avril 2010
Dividende	2008	11.00	7 avril 2009
Dividende	2007	15.00	8 avril 2008
Dividende	2006	11.00	10 avril 2007
Dividende/réduction de la valeur nominale	2005	7.00	4 juillet 2006
Réduction de la valeur nominale	2004	4.00	4 juillet 2005

[1] Dividende proposé, soumis à l'approbation des actionnaires lors de l'Assemblée générale ordinaire 2014; la date de paiement est prévue dès le 9 avril 2014.

Négoce des actions

Les actions de Zurich Insurance Group SA sont cotées à la SIX Swiss Exchange et elles sont négociées sur le segment Blue Chip de la SIX Swiss Exchange; symbole ticker: ZURN; le numéro de valeur (Valorennummer) suisse est le 1107539. Les transactions sur les actions de Zurich Insurance Group SA sur le segment Blue Chip sont libellées en francs suisses.

Actionnaires de Zurich Insurance Group SA inscrits au registre des actions



Les actions inscrites au registre des actions au 31 décembre 2013 étaient détenues par 127 922 actionnaires, dont 122 403 étaient des particuliers avec 26,2% des actions (soit 16,3% de toutes les actions en circulation), 2 046 étaient des fondations et des fonds de pension avec 6,9% des actions (soit 4,3% de toutes les actions en circulation) et 3 543 étaient d'autres entités légales avec 66,9% des actions (soit 41,5% de toutes les actions en circulation).

Principaux actionnaires

Au 31 décembre 2013, à la connaissance de Zurich Insurance Group SA, aucune personne ou aucun établissement autre que BlackRock, Inc., New York et Norges Bank, Oslo, ne détenait, directement ou indirectement, de participations en tant qu'ayant droit économique d'actions, de droits d'option et/ou de droits de conversion relatifs à des actions de Zurich Insurance Group SA, représentant 3% ou plus des actions émises. Les annonces relatives à ces notifications peuvent être trouvées via le moteur de recherche sur la plateforme de l'instance pour la publicité des participations de la SIX: http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_fr.html.

Zurich Insurance Group SA n'a pas connaissance de personnes ou d'établissements qui, en date du 31 décembre 2013, directement ou indirectement, seuls ou avec d'autres, exerçaient un contrôle ou étaient partie à un accord quelconque visant à exercer un contrôle sur Zurich Insurance Group SA.

Informations pour les actionnaires *suite*

Calendrier financier

Assemblée générale ordinaire 2014
2 avril 2014

Date ex-dividende
4 avril 2014

Paiement du dividende dès le
9 avril 2014

Résultats pour les trois mois arrêtés au 31 mars 2014
15 mai 2014

Résultats semestriels 2014
7 août 2014

Résultats pour les neuf mois arrêtés au 30 septembre 2014
6 novembre 2014

Résultats annuels 2014
12 février 2015

Publications

Compte rendu des activités 2013
Le Compte rendu des activités contient des informations sur les activités de Zurich, sa stratégie et sa performance au cours de l'année 2013. Il est disponible en anglais, en allemand et en français.

Rapport de gestion 2013
Le Rapport de gestion contient des informations détaillées sur la performance financière, la structure d'entreprise, les organes exécutifs de Zurich, ainsi que sur la gestion des risques, la gouvernance d'entreprise et les rémunérations en 2013. Il est disponible en anglais, en allemand et en français, les données financières n'étant disponibles qu'en anglais.

www.zurich.com
Si vous utilisez un iPad, essayez notre application «Investors and Media App» disponible sur www.zurich.com

Le fichier pdf et la version interactive de notre Rapport de gestion et Compte rendu des activités peuvent être consultés sur: www.zurich.com/investors

Contacts

Pour plus d'informations, veuillez contacter les bureaux ci-dessous ou consulter notre site internet: www.zurich.com

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www.zurich.com/investors/shareholderinformation

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American Depositary Receipts
Zurich Insurance Group SA dispose d'un programme d'American Depositary Receipt avec The Bank of New York Mellon (BNYM). Pour toute information sur un compte ADR, veuillez appeler le service pour les actionnaires de BNY Mellon depuis les Etats-Unis au +1-888-BNY-ADRS ou en dehors des Etats-Unis, au +1-201-680-6825, ou par e-mail à shrrelations@bnymellon.com. Des informations générales sur le programme ADR de la société peuvent être obtenues auprès de The Bank of New York Mellon sur www.adrbnymellon.com.

Glossaire

Groupe

Valeur comptable par action
Valeur calculée en divisant les fonds propres ordinaires par le nombre d'actions émises moins le nombre d'actions détenues pour compte propre.

Bénéfice d'exploitation (BOP)
Valeur servant de base au Groupe pour la gestion de toutes ses unités. Elle indique la performance sous-jacente des unités du Groupe, après intérêts minoritaires, en éliminant l'impact de la volatilité des marchés financiers et autres variables non liées à l'exploitation. Le bénéfice d'exploitation reflète les ajustements pour les impôts dus par les actionnaires, les plus-values nettes sur les placements y compris dépréciations (à l'exception des marchés financiers et des opérations de prêts immobiliers/bancaires dans Non-Core Businesses, des placements dans des hedge funds, de certains titres détenus à des fins de couverture économique spécifique, et des parts des preneurs d'assurance aux résultats des placements dans les affaires vie) et les écarts de conversion hors exploitation. Les éléments significatifs attribuables à des circonstances particulières, y compris les frais de restructuration, les charges au titre des litiges hors du cours ordinaire des activités, les plus-values et moins-values sur cession d'activité, les dépréciations des écarts d'acquisition et la modification des estimations de passifs dans le cadre de clauses d'earn-out (à l'exception des ajustements liés à l'expérience, qui restent dans le bénéfice d'exploitation) sont également exclus du bénéfice d'exploitation. **Le bénéfice d'exploitation avant intérêts, amortissements et dépréciations (BOPBIDA)** correspond au bénéfice d'exploitation avant charges d'intérêts sur les dettes, amortissement au titre d'immeubles et d'autres immobilisations corporelles et amortissement et dépréciation des écarts d'acquisition et des autres immobilisations incorporelles, mais avec amortissement des frais d'acquisition différés et des frais d'établissement de contrats de placement différés. **Le bénéfice d'exploitation ajusté** est corrigé du produit notionnel des placements sur la différence entre les fonds propres IFRS (International Financial Reporting Standards) moyens effectifs et les fonds propres IFRS moyens alloués en utilisant un taux swap global. Les fonds propres IFRS alloués correspondent à la part d'un segment sur le total des fonds propres IFRS alloués du Groupe, calculée selon la part du segment sur le Risk-Based Capital total du Groupe à chaque fin de période.

Rendement du bénéfice d'exploitation (après impôts) sur les fonds propres ordinaires
Il indique le niveau de bénéfice ou perte d'exploitation par rapport aux ressources fournies par les actionnaires ordinaires. Il correspond au bénéfice ou à la perte d'exploitation, annualisé par extrapolation linéaire et corrigé des dividendes et impôts des actionnaires privilégiés, divisé par la valeur moyenne des fonds propres ordinaires par extrapolation simple en utilisant la valeur au début et à la fin de la période.

Placements
Le total des placements dans le bilan consolidé comprend les placements et les placements en unités de compte du Groupe. Les placements du Groupe sont ceux pour lesquels le Groupe supporte tout ou partie du risque de placement. Ils incluent aussi des placements liés à des contrats de placement avec éléments de participation discrétionnaire. Les actifs moyens investis ne comprennent pas les liquidités reçues comme garantie pour prêt de titres. Le Groupe gère son portefeuille de placements diversifié en vue d'optimiser les bénéfices pour les actionnaires et les preneurs d'assurance tout en respectant les exigences réglementaires et commerciales locales sous la direction du comité de gestion de l'actif-passif et des placements du Groupe. **Les placements en unités de compte** incluent les placements dans le cadre desquels le preneur d'assurance supporte le risque de placement, et sont détenus pour couvrir les engagements liés à des contrats de placement en unités de compte et constituer des provisions techniques relatives à des contrats d'assurance en unités de compte. Ils sont gérés conformément aux objectifs de placement de chaque fonds en unités de compte. Le résultat des placements en unités de compte est transféré aux preneurs d'assurance par l'intermédiaire de la participation des preneurs d'assurance aux excédents et bénéfices.

Rendement des fonds propres ordinaires (ROE)
Il indique le niveau de bénéfice ou de perte par rapport aux ressources fournies par les actionnaires ordinaires. Il correspond au bénéfice net après impôts attribuable aux actionnaires ordinaires, annualisé par extrapolation linéaire, divisé par la valeur moyenne des fonds propres ordinaires par extrapolation simple en utilisant la valeur au début et à la fin de la période.

General Insurance

Les valeurs suivantes de General Insurance sont nettes de réassurance.

Résultat technique, net
Il correspond à la différence entre les primes acquises et chargements de gestion d'une part et la somme des prestations d'assurance et des frais techniques nets d'autre part.

Frais techniques totaux, nets
Ils comprennent les frais de souscription et d'acquisition ainsi que les éléments techniques des frais d'administration et autres charges d'exploitation, les amortissements d'immobilisations incorporelles, les intérêts versés aux preneurs d'assurance et autres charges d'intérêts, et les autres produits.

Ratio combiné
Mesure de la performance indiquant le niveau de sinistres et frais techniques nets durant la période par rapport aux primes acquises et chargements des gestion. Il correspond à la somme du taux de sinistres et du taux de chargement.

Taux de sinistres
Mesure de la performance indiquant le niveau de sinistres durant la période par rapport aux primes acquises et chargements de gestion. Il correspond aux prestations d'assurance, qui comprennent les sinistres payés, les sinistres survenus mais non déclarés (IBNR) et les frais de traitement des sinistres, divisés par les primes acquises et chargements de gestion.

Taux de chargement
Mesure de la performance indiquant le niveau de frais techniques durant la période par rapport aux primes acquises et chargements de gestion. Il correspond à la somme des frais techniques nets et de la participation des preneurs d'assurance aux excédents et bénéfices, divisée par les primes acquises et chargements de gestion.

Résultat non technique, net
Il comprend les éléments non techniques des frais d'administration et autres charges d'exploitation, les amortissements d'immobilisations incorporelles, les intérêts versés aux preneurs d'assurance et autres charges d'intérêts et les autres produits, de même que les plus-values et moins-values nettes sur cession d'activité et les charges d'intérêts sur les dettes.

Global Life

Embedded value (EV) principles
Méthode consistant à adopter une approche «bottom-up» conforme au marché et autorisant explicitement le risque de marché. En particulier, les flux de trésorerie des actifs et des passifs sont évalués à l'aide de taux d'escompte des flux de trésorerie futurs incertains conformes à ceux utilisés pour les flux de trésorerie similaires sur les marchés des capitaux. Une prime de liquidité, qui augmente les taux d'escompte des flux de trésorerie futurs incertains, a été appliquée à certaines branches d'activité conformément aux principes du CFO Forum. Les options et garanties sont évaluées à l'aide de modèles conformes au marché étalonnés selon les prix observables sur le marché.

Dépôts à caractère de placement
Dépôts comparables aux avoirs en compte des clients, qui ne sont pas comptabilisés en tant que produits. Toutefois, les frais facturés sur les dépôts à caractère de placement sont comptabilisés en tant que produits dans le poste primes émises brutes et chargements de gestion du compte de résultat consolidé. Ces dépôts résultent de contrats de placement et de contrats d'assurance qui sont comptabilisés dans le poste comptabilité des dépôts. Ils représentent la composante d'épargne pure, qui est investie.

Equivalent de primes affaires annuelles (APE)
Cet élément est calculé sur la base des primes annuelles affaires nouvelles plus 10% des primes uniques, avant intérêts minoritaires. **La valeur actuelle des primes affaires nouvelles (PVNBP)** correspond à la valeur des primes affaires nouvelles actualisée au taux sans risque, avant intérêts minoritaires.

Valeur des affaires nouvelles (après impôts)
Indicateur reflétant la valeur ajoutée par les affaires nouvelles émises durant la période, y compris les coûts frictionnels, la valeur temps des options et garanties, et le coût du risque non-systématique. Il est évalué au point de vente. Il correspond à la valeur actuelle du bénéfice (après impôts) projeté issu des contrats d'assurance-vie vendus durant la période en utilisant une méthode d'évaluation conforme aux principes d' «embedded value» avant intérêts minoritaires.

Bénéfice par source
Analyse des éléments du bénéfice d'exploitation Global Life d'une manière cohérente et intuitive permettant de montrer les sources de bénéfices. La marge sur frais nette inclut les commissions liées et non liées aux fonds, les frais d'acquisition de polices, les frais d'entretien et les frais de rachat. La marge de risque nette correspond aux primes de mortalité, morbidité et longévité moins les prestations aux preneurs d'assurance et le résultat de réassurance. La marge sur les placements correspond à l'écart entre le produit des placements et les intérêts crédités aux preneurs d'assurance plus le rendement sur l'excédent disponible. Toutes les marges sont nettes de tout bonus des preneurs d'assurance. Le bénéfice d'exploitation avant reports est une mesure du bénéfice excluant i) l'effet net du report et de l'amortissement des frais d'acquisition et des commissions d'émission, qui peuvent être influencés par les mouvements sur les marchés financiers et les modifications d'hypothèses; ii) les charges d'intérêts sur les dettes, l'amortissement au titre d'immeubles et d'autres immobilisations corporelles, l'amortissement des écarts d'acquisition et des autres immobilisations incorporelles; et iii) les éléments d'exploitation non récurrents. Les éléments d'exploitation non récurrents sont des éléments non récurrents significatifs qui pourraient entraîner des distorsions des marges et tendances sous-jacentes.

Farmers

Résultat brut de gestion
Mesure de la performance de Farmers Management Services correspondant à la somme des commissions de gestion et autres produits assimilés moins les frais de gestion et autres charges assimilées, qui incluent les amortissements et dépréciations d'immobilisations incorporelles.

Marge sur les primes acquises brutes sous gestion
Mesure de la performance correspondant au bénéfice d'exploitation brut de Farmers Management Services, divisé par les primes acquises brutes des Farmers Exchanges, qui sont gérées mais non détenues par Farmers Group, Inc, une filiale à part entière du Groupe.

Déclaration de déni et de précaution

Certaines des déclarations contenues dans ce document se réfèrent à l'avenir, y compris, mais sans se limiter à elles seules, des déclarations prospectives faisant état d'événements, de tendances, de plans ou d'objectifs futurs de Zurich Insurance Group SA ou de Zurich Insurance Group (le Groupe). Les déclarations concernant l'avenir comprennent des déclarations relatives au bénéfice escompté du Groupe, à des objectifs de rendement des fonds propres, aux dépenses, aux conditions tarifaires, à la politique en matière de dividendes et aux résultats des sinistres de même que des déclarations concernant la compréhension des conditions économiques, des marchés financiers et du secteur de l'assurance, ainsi que des évolutions escomptées du Groupe. Aucune fiabilité indue ne doit être accordée à de telles déclarations, puisque, de par leur nature, elles sont sujettes à des risques ainsi qu'à des incertitudes – connus ou inconnus – et qu'elles peuvent être influencées par d'autres facteurs pouvant modifier substantiellement les résultats réels ainsi que les plans et objectifs de Zurich Insurance Group SA ou du Groupe, par rapport à ce qui a été exprimé ou sous-entendu dans les déclarations portant sur l'avenir (ou dans les résultats antérieurs). Des facteurs tels que (i) les conditions économiques générales et les facteurs liés à la concurrence, particulièrement sur les marchés clés; (ii) le risque d'un ralentissement économique général; (iii) la performance des marchés financiers; (iv) les niveaux des taux d'intérêt et ceux des taux de change des devises étrangères; (v) la fréquence, la gravité et l'évolution des sinistres assurés; (vi) les expériences en termes de mortalité et de morbidité; (vii) les taux de renouvellements et d'annulations de polices; et (viii) les modifications de dispositions légales et de réglementations, ainsi que des politiques des autorités de surveillance peuvent avoir une influence directe tant sur les résultats des opérations de Zurich Insurance Group SA et de son Groupe que sur l'atteinte de ses objectifs. Zurich Insurance Group SA n'assume aucune obligation de mise à jour publique ou de révision de ses déclarations se référant à l'avenir, qu'il s'agisse de révéler de nouvelles informations, des événements futurs, des circonstances ou d'autres éléments, quels qu'ils soient.

Toute référence faite aux «Farmers Exchanges» désigne Farmers Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange ainsi que leurs filiales et sociétés affiliées. Les trois Exchanges sont des compagnies d'assurances organisées de façon coopérative (interinsurance exchanges) domiciliées en Californie, détenues par leurs assurés et dont la gouvernance est supervisée par leurs Conseils des gouverneurs (Board of Governors). Farmers Group, Inc. et ses filiales sont fondés de pouvoir par les Farmers Exchanges et, à ce titre, elles fournissent aux Farmers Exchanges certains services administratifs et de gestion sans rapport avec les déclarations de sinistre. Ni Farmers Group, Inc., ni ses sociétés-mères Zurich Compagnie d'Assurances SA et Zurich Insurance Group SA, ne détiennent de participation au capital des Farmers Exchanges. Les informations financières sur les Farmers Exchanges appartiennent aux Farmers Exchanges mais elles sont fournies pour permettre de mieux comprendre la performance de Farmers Group, Inc. et de Farmers Reinsurance Company.

Il faut noter que la performance passée ne constitue nullement une indication fiable quant à la performance future.

Les personnes qui souhaitent un conseil doivent consulter un conseiller indépendant.

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