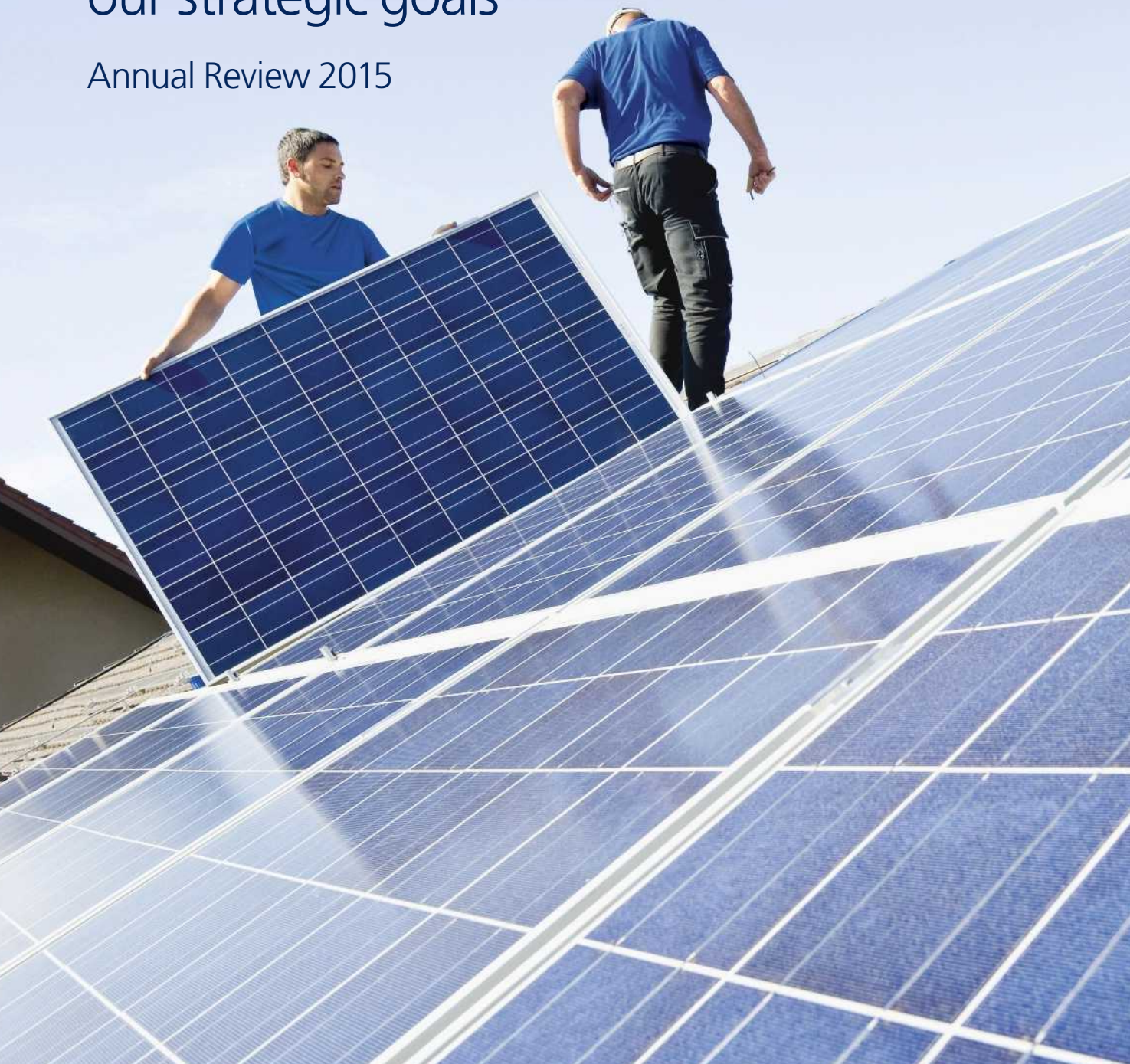


# Working toward our strategic goals

Annual Review 2015



## About Zurich

Zurich is a leading multi-line insurer that serves its customers in global and local markets. With about 55,000 employees, we provide a wide range of general insurance and life insurance products and services. We serve individuals, small businesses, and mid-sized and large companies, including multinational corporations, in more than 170 countries.

### **Our cover**

Zurich has been carbon neutral since 2014. We're increasing the percentage of renewable power we purchase, including solar, wind and hydro power. In 2015, over 40 percent of power we used worldwide came from renewable sources and we aim to make that 100 percent by 2020.

### **Further information**

Please visit [www.zurich.com](http://www.zurich.com)

## Working toward our strategic goals

We made good progress toward our strategic goals in 2015, despite a tough economic environment. There were also setbacks in parts of our General Insurance business, but we're clear about what we have to do to get back on course. In this Annual Review, you can read about our achievements and the hard work that remains to be done.

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**Right** We are in the process of acquiring Rural Community Insurance Services, which insures one in six farmers in the U.S. Details on page 9



# Message from the Chairman



Above Chairman  
Tom de Swaan

**In 2015, our business operating profit<sup>1</sup> (BOP) was USD 2.9 billion, 37 percent lower than in 2014. Net income attributable to shareholders (NIAS) was USD 1.8 billion, a decrease of 53 percent from the prior year. This is a disappointing result for Zurich, reflecting challenges in our General Insurance business and some charges as we position ourselves for the future. We have initiated rigorous actions to improve profitability.**

General Insurance's BOP fell by 71 percent to USD 864 million, while its combined ratio deteriorated by 6.7 percentage points to 103.6 percent. The result reflects large losses and catastrophe claims, including explosions in the port of Tianjin in August, and flooding in the UK and Ireland in December. We are taking measures to reduce earnings volatility, such as re-underwriting or exiting underperforming portfolios.

The rest of the Group continues to perform well. Global Life's BOP increased by 2 percent to USD 1.3 billion. Gross written premiums, policy fees and insurance deposits fell 9 percent in U.S. dollar terms, but rose 6 percent on a local currency basis. Our bank joint ventures continued to show steady growth, while Global Life has already achieved its 2016 goal of a run-rate improvement in BOP of more than USD 80 million from in-force management initiatives.

Farmers<sup>2</sup> BOP declined by 10 percent to USD 1.4 billion following underwriting losses in Farmers Re and lower participation in reinsurance agreements with the Farmers Exchanges. Farmers Exchanges, which are owned by their policyholders, have continued to make good progress in the execution of their strategy, with improved customer satisfaction and retention rates, as well as continued growth in their agents network.

<sup>1</sup> Business operating profit indicates the underlying performance of the Group's business units by eliminating the impact of financial market volatility and other non-operational variables.

<sup>2</sup> The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly-owned subsidiary of the Group, provides certain non-claims administrative and management services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

## Message from the Chairman

Our Zurich Economic Capital Model<sup>3</sup> ratio stood at 114 percent as of September 30, 2015, within our target range. We are on track to deliver cash remittances in excess of USD 10 billion in our three-year strategy period from 2014 to 2016, well ahead of our target. Our strong capital position and cash remittances have given the Board the confidence to propose a dividend of CHF 17 per share, subject to shareholder approval at the Annual General Meeting on March 30.

### A new CEO and other senior executive appointments

In recent months, we have made several senior appointments. In January we announced that, subject to regulatory approval, Mario Greco will join Zurich as our new Chief Executive Officer (CEO). We are convinced that Mario is best placed to lead Zurich into the future. He was most recently CEO of Generali. Prior to that, he was at Zurich, where he held the position of CEO Global Life and then CEO General Insurance. He will take over the position I have held on an interim basis since Martin Senn stepped down in December 2015. We would like to thank Martin for guiding Zurich with foresight and great commitment.

On the Group Executive Committee (GEC), Kristof Terryn also took on a new role as CEO General Insurance in October after Mike Kerner decided to leave the company. We thank Mike for his many contributions. Gary Shaughnessy, who has been CEO of Zurich UK Life since 2012, took on the role of CEO Global Life in January 2016. In addition, Cecilia Reyes, who served as Chief Investment Officer

(CIO), was named Chief Risk Officer in July after Axel Lehmann decided to leave Zurich. We thank Axel for his dedicated and outstanding service to Zurich. Urban Angehrn, who was formerly head of Alternative Investments, joined the GEC as the new CIO in July.

### Board appointments

In December, our Board proposed two new members: Jeffrey L. Hayman, a U.S. citizen with extensive experience in the insurance industry and David Nish, a British citizen, who until 2015 was Group CEO of Standard Life plc. As already announced, Don Nicolaisen, Thomas K. Escher and Rafael del Pino will not stand for re-election at the Annual General Meeting. We are grateful to them for their service and commitment to Zurich.

### Corporate responsibility

Through acting responsibly, we believe we can create sustainable value for all our stakeholders. Reflecting our efforts, in 2015, Zurich achieved its highest score since joining the Dow Jones Sustainability Index (DJSI), outperforming 99 percent of companies in the insurance industry group in the Index. We also reached over USD 1 billion in overall impact investments in 2015, and our flood resilience alliance extended its work with at-risk communities.

### Outlook

The global economic outlook remains challenging. We have accelerated a program to increase efficiencies, and aim to exceed the previously communicated cost savings target for 2016 of USD 300 million. We are also on our way to achieving group-wide annual run-rate cost savings of more than USD 1 billion by the end of 2018.

Our key priorities in 2016 will be turning around our General Insurance business and continuing actions to position the group for 2017 and beyond, including enhancing efficiency and sharpening the group's retail footprint. I am convinced that with the strength of our global franchise, the breadth of talent within our organization and our strong brand, we have everything we need for future success. We thank you for your continued support.

Yours sincerely,



### Tom de Swaan

Chairman of the Board of Directors and Chief Executive Officer a.i.

<sup>3</sup> The Zurich Economic Capital Model (Z-ECM) is an internal measure of capital adequacy, which also forms the basis of Zurich's Swiss Solvency Test (SST) model.

# Our strategy 2014–2016

**Zurich's strategy is designed to deliver sustainable, profitable growth in a changing and more competitive business environment. We summarize our strategy under the headings 'who we are, what we do and how we do it.'**

## Who we are

Founded in Switzerland in 1872, Zurich is one of the world's most experienced insurers. Our customers choose Zurich to protect the people and things they love because they value our expertise, knowledge and stability. We care about our customers, employees, shareholders and the communities in which we live and work. Our brand promise of intelligent protection is Zurich's unique approach to understanding and managing risk – not only on behalf of our customers, but also in the long-term interest of all stakeholders. We share our risk expertise and insights with customers, communities and other stakeholders to help them understand the risks they face.

## What we do

We are prioritizing investment in distinctive positions – our high-potential market positions – in the corporate market, commercial mid-market and select retail markets. We are managing other businesses for value. This means optimizing selected Global Life in-force books and capturing value in our smaller General Insurance markets, while turning around or exiting under-performing businesses.

## How we do it

We are growing our operating earnings by reducing complication and overhead costs throughout our business, increasing operational efficiency and improving processes, and enhancing investment

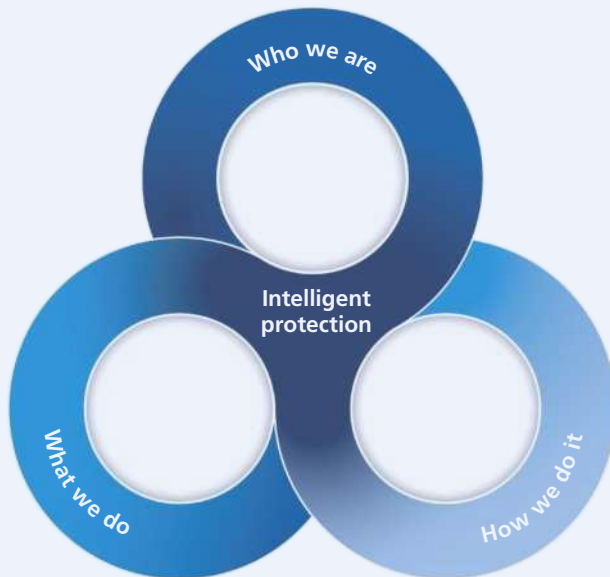
returns. We are also building the necessary supporting capabilities. This includes investing in our people; laying the foundations for industry top quartile operations and technology; investing in the Zurich brand with its promise of intelligent protection and building our reputation. In all that we do, we are living up to the Zurich Commitment to stakeholders, which includes acting responsibly throughout our business and following our core values.

## Further detail

For more information on our strategy and the Zurich Commitment, see:

[www.zurich.com/strategy](http://www.zurich.com/strategy)

## Zurich's strategy in brief



## Who we are

- One of the world's most experienced insurers
- Our brand promise: intelligent protection

## What we do

- Investing in distinctive positions
- Managing other businesses for value

## How we do it

- Growing our operating earnings
- Building supporting capabilities
- Living up to the Zurich Commitment

## Cornerstones of our strategy

### Investing in distinctive positions

Implementing our customer strategies in the corporate market, commercial mid-market and select retail markets.

### Progress in 2015

We are acquiring a major U.S. crop insurer, Rural Community Insurance Services (RCIS). Through a combined approach, Global Corporate and Corporate Life & Pensions increased the number of large corporations they jointly serve. Our bank distribution networks saw continued growth, capitalizing on our access to millions of customers in 15 countries.

### Managing other businesses for value

Generating the most value from Global Life in-force books; capturing value from profitable, smaller General Insurance markets; turning around or exiting under-performing businesses.

We retained more business from maturing life policies in Germany, and reduced the number of policies that lapse in the U.S. We exited some non-core businesses, including in the UK, Singapore, Australia and the Middle East.

### Growing our operating earnings

Reducing complexity and overhead costs; increasing operational efficiency and improving processes; increasing excess investment returns.

We initiated programs to achieve savings and increase efficiency, and continued to upgrade our processes and technology. We added more than USD 3 billion of less-liquid assets to the Group's balance sheet in 2015, enhancing our investment return.

## Enablers of success

### Building supporting capabilities

Investing in our people and their capabilities; laying the foundations for industry top quartile operations and technology; building the Zurich brand and our reputation.

### Progress in 2015

We continued to make progress in recruiting, developing and retaining a diverse, talented workforce. We became the first global insurer to be certified under a gender equality standard. We introduced a Swiss-style apprenticeship program in the U.S. Our marketing and communications strategy highlighted our 'intelligent protection' brand promise.

### Living up to the Zurich Commitment

Caring for our customers, employees, shareholders and the communities in which we live and work. Corporate responsibility is an integral part of this.

Zurich achieved its highest score since joining the Dow Jones Sustainability Index (DJSI) of 83 and outperformed 99 percent of other companies in the insurance industry group. We reached over USD 1 billion in overall impact investments in 2015, an increase of 54 percent. Our flood resilience alliance extended its work with at-risk communities.

# Zurich at a glance

**Zurich operates globally and locally, according to our customers' needs. We deliver insurance products and services in more than 170 countries.**

## Our business segments

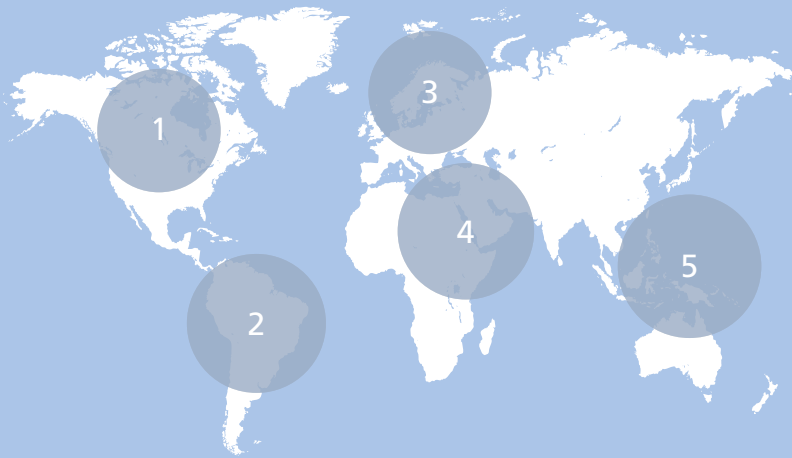
<p><b>General Insurance</b></p>	<p><b>Business</b> Property and casualty insurance and services, risk insights</p> <p><b>Market segments</b> Individual, SME, commercial and corporate customers</p>	<p><b>Distribution channels</b> Agents, banks, brokers, direct, other distribution agreements</p> <p><b>Geography</b> Global</p>	<p>USD 864m Business operating profit</p> <p>USD 34,020m Gross written premiums and policy fees</p>
<p><b>Global Life</b></p>	<p><b>Business</b> Protection, savings and investment solutions</p> <p><b>Market segments</b> Individual, commercial and corporate customers</p>	<p><b>Distribution channels</b> Agents, banks, brokers and independent financial advisers, employee benefits consultants, direct</p> <p><b>Geography</b> Global</p>	<p>USD 1,300m Business operating profit</p> <p>USD 29,037m Gross written premiums, policy fees and insurance deposits</p>
<p><b>Farmers<sup>1</sup></b></p>	<p><b>Business</b> Management services related to property and casualty insurance</p> <p><b>Market segments of the Farmers Exchanges<sup>2</sup></b> Individual and commercial customers</p>	<p><b>Distribution channels of the Farmers Exchanges<sup>2</sup></b> Exclusive and independent agents, direct</p> <p><b>Geography</b> United States</p>	<p>USD 1,421m Business operating profit</p> <p>USD 2,786m Management fees and other related revenues</p>

<sup>1</sup> The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly-owned subsidiary of the Group, provides certain non-claims administrative and management services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

<sup>2</sup> All references to 'Farmers Exchanges' mean Farmers Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange and their subsidiaries and affiliates. The three Exchanges are California-domiciled interinsurance exchanges owned by their policyholders with governance oversight by their Boards of Governors.



## A global presence



1

### North America

In North America, Zurich is a leading commercial property-casualty insurance provider serving the global corporate, large corporate, middle market, specialties and programs sectors. It also serves life customers in the retail, affluent and corporate markets.

2

### Latin America

Zurich operates in Argentina, Brazil, Chile, Colombia, Mexico, and Venezuela.

3

### Europe

Zurich has major operations in Germany, Italy, Spain, Switzerland, and the UK and a significant presence in other countries.

4

### Middle East & Africa

Our business spans the region with key operations in the Middle East, South Africa, Morocco and Turkey.

5

### Asia Pacific

Zurich has operations in Australia, China, Hong Kong, Indonesia, Japan, Malaysia, New Zealand, Singapore and Taiwan.

## Highlights

USD 2.9 bn

Business operating profit  
(December 31, 2015)

114%

Zurich Economic Capital Model ratio<sup>1</sup>  
(October 1, 2015)

USD 31.2 bn

Shareholders' equity  
(December 31, 2015)

55,000

Employees (approximately)<sup>2</sup>  
(December 31, 2015)

170+

Countries  
(December 31, 2015)

AA- / stable

Standard & Poor's financial strength  
rating on Zurich Insurance Company Ltd  
(December 31, 2015)

<sup>1</sup> The Zurich Economic Capital Model (Z-ECM) is an internal measure of capital adequacy. It also forms the basis of Zurich's Swiss Solvency Test (SST) model, which is subject to approval by the Swiss Financial Market Supervisory Authority (FINMA). As of July 1, 2015, the Group's SST ratio was 203 percent.

<sup>2</sup> This number also corresponds to the average number of employees in 2015.

# Our strategy calls for us to focus on our strengths, improve or exit other businesses, and grow operating earnings.

**We are supported by our people, processes and technology.  
The Zurich Commitment requires us to act responsibly in all that we do.**

Our 2014–2016 strategy aims to generate sustainable, profitable growth in a changing and competitive environment. We are prioritizing investment in our businesses in high-potential markets where we have strong competitive positions, managing other businesses for value and taking measures to grow our operating earnings.

We are also building the supporting capabilities that underpin our ambitions. This means developing our people and their skills, investing in efficient and cost-effective operations and technology, and building our brand and reputation. And it means living up to our Zurich Commitment to stakeholders, which includes acting responsibly throughout our business.

## Prioritizing investments in distinctive positions

We are prioritizing investment in our high-potential market positions in the corporate market, the commercial mid-market and select retail markets.

## Simplifying challenges at big corporations

Large companies have complex insurance needs, typically across many countries, and increasingly want to centralize how they buy and manage insurance. General Insurance's Global Corporate (GC), and Global Life's Corporate Life & Pensions (CLP) are serving these customers through a unified approach by offering them both general insurance, and life insurance products and services, while helping them to standardize benefits and coverage across countries. This not only makes it

easier for these customers to manage all their insurance needs, it is more cost-efficient as well. This approach also gives customers the confidence that their insurance programs are fully compliant in today's complex regulatory environment. In 2015, we increased the number of customers taking advantage of this approach by 220, the highest level since we introduced this program in 2011, and 32 percent more than the agreements added in 2014.

## Strengthening our position in U.S. commercial lines



One of our strategic priorities is to expand our commercial lines capabilities. As part of this approach, we announced in December that we plan to acquire Rural Community Insurance Services (RCIS), a U.S. agricultural insurance provider that insures one in six farmers in the U.S. With a network of over 4,000 agents, RCIS conducts business in all 50 U.S. states, providing risk management for more

than 130 crops on over 90 million acres (36 million hectares). The acquisition, which still needs final regulatory approval, will increase General Insurance's risk diversity in the U.S. and strengthen our top-five position in U.S. commercial insurance.

## Addressing challenges in General Insurance

**The performance of parts of our General Insurance Business was disappointing. We are implementing several measures to improve it.**

General Insurance reported a business operating profit of USD 864 million, a decrease of 71 percent. The unsatisfactory result was due to a number of factors; these included USD 275 million in claims related to explosions in the port city of Tianjin, China, in August, a significant level of other large losses, and natural catastrophe claims especially following severe flooding in parts of the UK and Ireland in December. In the third quarter we also identified issues in certain areas such as U.S. auto liability,

Global Corporate property and North America Commercial construction liability that are being addressed with highest priority through targeted measures.

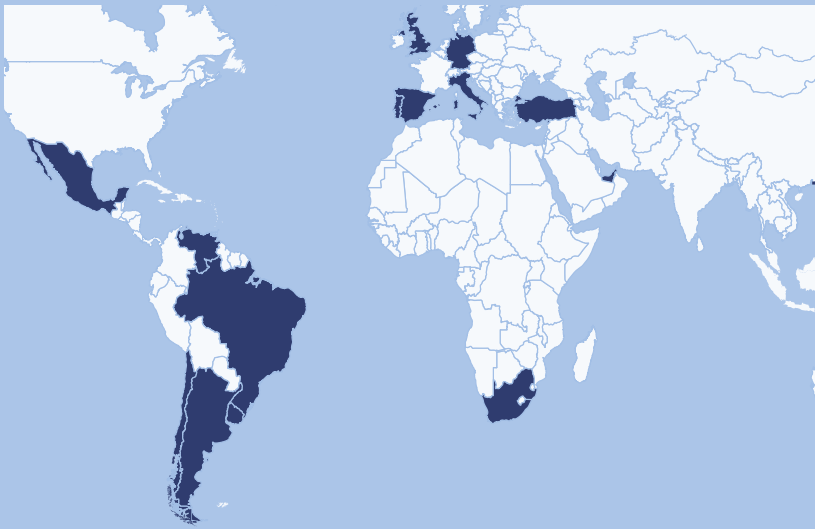
Our General Insurance business has clear strengths to build on; a well-diversified portfolio, excellent franchises, including Global Corporate, strong technical foundations and highly-skilled people, and global distribution reach. But we need to reinforce underwriting discipline, reduce exposure to large losses and improve efficiency.

We are re-evaluating the commercial priorities and earnings power of each business unit as we work to reduce earnings volatility. Our focus includes re-underwriting unprofitable portfolios and exiting those we see as unattractive. In addition, we are working to sustainably increase cost efficiency while identifying opportunities to further simplify the organization.

## Banks extend our customer reach

Our bank distribution agreements provide us with access to over 60 million customers in major markets in 15 countries.

These agreements include two joint ventures with major banks, Banco Santander in Latin America, and Banco Sabadell in Spain, and a strategic relationship with Deutsche Bank in Germany, Italy and Spain. The map shows major markets where we have augmented our business through bank distribution agreements.<sup>1</sup>



<sup>1</sup> Only countries listed with a threshold of USD 5m APE (Life) or USD 5m GWP (GI).

## Reaching more customers through bank networks

We are constantly looking to expand our network of bank alliances. Our bank distribution agreements contribute significantly to our results, providing us access to over 60 million customers in major markets in 15 countries.

These agreements include two joint ventures with major banks. The Zurich Santander joint venture agreed in 2011 provides long-term exclusive distribution agreements with Banco Santander S.A., giving access to about 40 million customers in Latin America. In Spain, our joint venture with Banco Sabadell S.A., signed in 2008 and expanded in 2014, provides a channel to sell insurance products across Sabadell's network, offering access to about six million customers. In 2015, both Zurich Santander and our joint venture with Banco Sabadell continued to improve profitability and deliver strong sales of both life and general insurance products. Currency volatility, however, can affect the income from these agreements.

In 2015, business operating profit (BOP) from both joint ventures was USD 268 million. Additionally, a strategic relationship with Deutsche Bank in Germany, Italy and Spain gives us access to 10 million potential customers. Agreements recently signed include a 15-year exclusive bank distribution agreement with Citibank NA in the Middle East that began operation in 2015.

### Appealing to SMEs in Hong Kong

Small and mid-sized companies (SMEs) remain an important market for Zurich. In Hong Kong we found that medical insurance ranks only behind salary in importance to employees. Even so, and despite a tight job market, less than three percent of Hong Kong employers offer their employees a group medical plan; SMEs in particular lack the resources to provide such coverage, even though they face challenges recruiting top talent. To meet this need, in 2015 we launched a group medical plan specifically targeting SMEs. 'FlexiCare' offers options to match employers' budgets. Via a smart phone application, employees can choose benefits and 'wellness' options. The app also reduces paperwork. Early market response has been positive: We received a gold award for this product in the category Best Employee Insurance Provider in HR Magazine's Vendor of the Year Awards.

### Corporate Life & Pensions gains market share in UK and Ireland and a major German customer

Gaining scale in key markets contributes to the success of our Corporate Life & Pensions (CLP) business. In the UK, both our corporate protection and our corporate pensions businesses in our target market segments have grown market shares from a marginal position in 2009.

In Ireland, where our new business volumes have more than doubled since 2012, we have also grown our market share of the corporate risk market and corporate pension market.

We also gained a major customer in Germany. In October, CLP reached an agreement with a major German institution to manage pensions of 2,300 employees.

### Targeting Select Brokers in North America

In North America, Zurich is transforming the way it works with its Select Brokers – brokers that Zurich is targeting to grow our business. We identified the needs and priorities of these brokers through research and developed a new model that makes it easier for our sales team to share information with the brokers. We piloted the approach with four brokers in over 20 locations. It has made our sales process more effective, and is helping to make our relationship with Select Brokers more efficient. We are now aiming to expand the model to all Select Broker relationships in North America.

### Focusing on target customers, retention in the U.S.

Farmers Group, Inc., which is owned by the Group,<sup>1</sup> provides the non-claims administrative and management services necessary to help the Farmers Exchanges, which are owned by their policyholders, identify customers who want professional, high-quality service and products that fit their specific needs.

This includes delivering a positive customer experience and developing products and services for Farmers Exchanges target customers, who seek the counsel and high level of service that Farmers Exchanges agents can provide. Farmers Group, Inc. is helping the Farmers Exchanges to support their agents' success, introduce new products, and offer more options to better serve these customers.

The Farmers Exchanges continued to make progress in customer satisfaction results, with the Net Promoter Score, a broad measure of customer satisfaction and loyalty, increasing to 40.3 from 35.0, and retention increasing to 77.3 from 76.8 in 2015.

<sup>1</sup> The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly-owned subsidiary of the Group, provides certain non-claims administrative and management services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

## Zurich as an innovator



### **My Zurich** Giving corporate customers an edge

Our Corporate business is helping multinational customers manage international insurance programs through our award-winning online platform, My Zurich. This not only helps them to manage their insurance needs centrally, it also strengthens our relationships with them, allowing us to retain more of these customers. Starting in 2016, customers using the My Zurich platform will also be able to see the results of risk assessments done on our Zurich Risk Advisor tool.



### **Zurich Risk Advisor** Making it easier to spot risks

Zurich Risk Advisor gives customers insights on potential risks their businesses may face. The 'app' lets them analyze a risk by themselves and compare potential impact across locations, drawing on the knowledge and expertise of Zurich's 900 risk engineering specialists. It also allows customers to see how specific actions to reduce risks could improve their risk grading score.



### **Smart Business Growth** Gaining insights into bids

Focusing on opportunities with the greatest chance of success helps us to more effectively manage our pipeline of potential new business. Through our Smart Business Growth system, we can focus on broker 'submissions' (requests for bids) with large companies and concentrate on those bids that have the greatest chance of succeeding, drawing on information we have collected on over 500,000 transactions. The system produces an expected probability of winning a bid, making us more efficient and giving us more time to manage existing customer relationships.



### **SDVs** Enhancing insights on self-driving vehicles

Worldwide over one million people die each year in traffic accidents: In most cases, human error is at least partly to blame. As one of the world's largest motor insurers, we are very interested in technologies that can make driving safer. In 2015, as part of our aim to learn more about self-driving vehicles (SDV), we were pleased to be appointed as the insurance associate for 'CityMobil2,' the largest EU-funded research project testing automated public transport systems. We contribute management support and consulting on insurance solutions to this project.



**Natural hazard tool**  
Reducing risks in  
Switzerland

In Switzerland we have developed a free, easy-to-use online tool to help people assess risks to their homes and property posed by natural hazards. Since its launch in June 2015, more than 25,000 people have used this tool to spot potential risks from landslides, mud and rock slides, and floods. Developed with engineers and geologists at Swiss natural hazards specialist GEOTEST AG, the tool also suggests ways to reduce risks.



**Next-generation  
consumer business**  
Helping customers save  
for retirement

Global Life in the UK is introducing services to help customers plan and manage their financial well-being, including through a new online platform. In an increasingly complex retirement savings market, and with fewer than one in five people in the UK seeking financial advice, such services are more important now than ever before. In 2015 we piloted three digital tools to help customers plan for retirement. These can make it easier for customers to achieve their long-term financial goals, while providing flexibility in how we support them through an 'omni-channel' approach.

**Managing other  
businesses for value**

Our strategy also calls for us to create the most value from existing businesses such as Global Life's in-force books of business and smaller but profitable General Insurance businesses. We also seek to turn around or exit non-core or under-performing businesses, taking great care that our customers are properly served in any new arrangements that may be put in place.

**Germany focuses on maturing policies**

Global Life in Germany is successfully targeting customers with maturing policies, working to help more of them to re-invest their savings from these policies with us. Our efforts were encouraged by the fact that many customers bought policies prior to changes in German regulations in 2004 and these policies are now maturing. Our in-force team gives us precise information about the number of policies maturing and the amount invested and helps us to identify the policyholders or their beneficiaries. This offers us a chance to tailor products that appeal to these customers, encouraging them to take the opportunity to re-invest.

We improved our processes to better serve these customers and focused our efforts on retaining their business within our distribution channels, especially in the bank distribution and tied agents channels. Our efforts are paying off. In 2015, our single premium products increased significantly, helped by business generated through 're-capturing' more maturing policies.

### Reducing lapse rates in North America

Global Life is reducing 'lapse' rates in the U.S. A life insurance policy can lapse if a customer fails to pay premiums. This has serious consequences for customers who might forfeit their policy, and for insurers, which face a loss of future profits. To reduce lapse risk, Farmers New World Life in the U.S. introduced various programs to identify policies at risk, and engaged with customers to reduce lapse rates. In 2015, we experienced 12,300 fewer lapses (including cancellations and surrenders), a reduction of 11 percent versus 2014. We also incurred USD 1.3 billion less in lapses based on the insured amount, a reduction of 7 percent.

### Exiting underperforming and non-core businesses

In 2015, we exited some businesses. For example, we began transferring around 28,000 policies in UK Life's legacy annuity book to Rothesay Life. Zurich also sold its stake in 7IM Holdings Limited to Caledonia Investments plc. In Singapore, Zurich's Life business stopped accepting new policy applications starting December 1, 2015. In New South Wales, Australia, we are withdrawing from the compulsory third-party (CTP) 'green slip' business that protects drivers against injury claims. In the Middle East, we are closing to new retail and small business customers in our general insurance lines, and we will exit this business by the end of 2016, or as soon as possible after that. Zurich remains firmly committed to its life and corporate business in the region.



### Efficiency transformation

We are working on several initiatives to make best use of our resources, become more efficient and help us work more effectively.

This includes consolidating the number of data centers we rely on, improving efficiency and helping us to reduce the office space we need and the energy we use. As part of this process, in 2015 we opened a new data center in London, which will serve as one of our centralized locations for data services.



### Growing our operating earnings

We aim to grow our operating earnings by reducing complexity and overhead costs, making our operations and processes more efficient, and increasing excess investment returns.

#### Achieving greater efficiency and lower costs

As part of our third strategic cornerstone, Group Operations and Technology (GOT), together with all Zurich's segments and functions, is working on several initiatives to make us more efficient. Our overarching Zurich efficiency transformation plan comprises three main work streams to provide expense savings of at least USD 300 million by the end of 2016, achieve at least USD 1 billion in efficiency improvements by the end of 2018, and transform our operational processes and technology for the future.

As part of our efficiency improvements, GOT is leading efforts to standardize processes, work more efficiently and share more services throughout the organization. Zurich has operated shared service centers across the Group for a number of years and we plan to continue to expand this activity.

GOT is also consolidating the number of data centers we rely on, which improves efficiency and means we need less space and less power to run our businesses. We are reducing the number of own-use properties and renegotiating leases to better utilize our office space. In addition, we have focused our telecoms and network suppliers on one global strategic provider.

Through our Zurich Way of Working (ZWOW), we are implementing fundamental changes to become a more efficient organization in our staff training process, our business organization, and the way we manage individual performance; all the while placing greater emphasis on customer service delivery and higher employee engagement.

To date, several of Zurich's businesses in Europe, North America, Asia Pacific, and Latin America have adopted a more efficient management approach. We are committed to expanding the program to improve efficiency in other business units, and supporting them as they transform the way they work.

#### Seeking optimum returns in a challenging environment

Investment Management's mandate is to achieve superior, risk-adjusted investment returns relative to liabilities with the risk capital allocated to market risk. Investment Management's strategy to enhance investment returns and grow operating earnings was supported by investing in less-liquid assets throughout 2015.

Overall performance was negatively influenced by the strengthening of the U.S. dollar and a continuing decline in yields to record low levels. We managed to partly offset the impact of some of those factors by slightly increasing equity and corporate bond holdings, and by successfully implementing our less-liquid asset strategy. In 2015, more than USD 3 billion of additional less liquid assets were added to the Group's balance sheet, mainly in the areas of corporate lending, real estate and infrastructure debt. In line with our disciplined investment approach,

we ensure that these investments match our insurance obligations and are within our risk appetite, while seeking to obtain optimum returns relative to risks.

### Building supporting capabilities

We are investing in the capabilities needed to carry out our strategy. This includes developing our people, investing in efficient and cost-effective operations and technology, and building our brand and reputation.

#### Focus on our people

Our people drive our success. With this in mind, we need to be able to recruit, develop and retain a diverse and talented workforce that can thrive in a culture of mutual trust, transparency and inclusion. At Zurich, we believe this is key to meeting our strategic objectives. We are making progress in creating a diverse environment that brings out the best in our people and attracts the brightest talent. In 2015, we launched a range of global programs designed to enhance our culture, create more opportunities for career growth, advance people manager skills and provide flexible ways of working.

### Setting standards for gender equality

In November we became the first global company in the insurance industry to be certified by 'EDGE' (Economic Dividends for Gender Equality) in six key markets: Germany, Hong Kong, Italy, Spain, Switzerland and the UK. EDGE provides assessment methodology and a business certification standard for gender equality. The certification demonstrates Zurich's commitment to be the employer of choice in the insurance industry.

Our inclusive culture and development opportunities support learning through all phases of a career. We are also helping to develop new talent.

### Introducing a Swiss approach in the U.S.

Ensuring the next generation has the right skills and expertise offers clear benefits for Zurich, and for our people's long-term success. While it is common for insurers in Europe to offer apprenticeships, this approach is not nearly as popular in the U.S. The success of our traditional Swiss apprenticeship program convinced us that it would make sense to introduce this system in the U.S., too. We began what we believe is the first 'Swiss-style' insurance apprenticeship program in early 2016 with 23 participants enrolled



## Gaining an 'EDGE'

In 2015, Zurich became the first global company in the insurance industry to be certified by 'EDGE' (Economic Dividends for Gender Equality).

We are making progress in creating a diverse environment that brings out the best in our people and attracts the brightest talent.

We also launched a Swiss-style apprenticeship program at William Rainey Harper College near our offices in Schaumburg, Illinois, to train the next generation of insurers.

## Business review

in classes at William Rainey Harper College, not far from Zurich's offices in Schaumburg, Illinois. For two years, they will combine coursework with on-the-job training at Zurich. The program aims to train at least 100 apprentices by 2020.

### Our people

For more on the progress we are making in developing and managing our people, please see: [www.zurich.com/cr/our-people](http://www.zurich.com/cr/our-people)

### Building our brand and reputation

Zurich's brand promise of intelligent protection is our unique approach to understanding and managing risk – not only on behalf of our customers, but also in the long-term interest of all stakeholders. In 2015, we continued to build this message – that Zurich provides intelligent protection for the things and people our customers truly love – around the world, focusing our investments in priority markets, including Switzerland, our home market.

We invest in our brand because it increases our customers' willingness to consider, purchase and pay a premium for our products and services, in both retail and business markets.

In all retail markets where we have invested in building our brand through advertising, there has been a significant increase in the number of people considering the brand. In commercial and corporate markets, Zurich's global media partnerships with the Financial Times, Bloomberg, LinkedIn and Twitter helped

us increase our visibility with senior business people by 10 percent. Our online industry 'knowledge hub' on [www.zurich.com](http://www.zurich.com) also helps us reach this audience and has seen a significant increase in the number of visits since launch.

In 2015, we successfully targeted business customers and other stakeholders with original Zurich-produced reports on key topics such as cyber risk, flood resilience, supply chain risk and the 'income protection gap.' A 2015 advertising campaign featured Zurich's risk profiling – a structured approach that helps business customers to identify, prioritize and mitigate risk, thereby helping to manage risk, rather than just insuring against it.

We reprised our successful 'snowman' campaign during the 2015 winter holidays. This campaign helps to communicate the emotional side of the Zurich brand and aims to instill pride among our employees in being part of a company that helps people protect the things they truly love.

We support the prestigious World Economic Forum (WEF), which rated us one of its most-engaged companies for the second year in a row. We sponsor golf tournaments including the Zurich Classic in New Orleans that raises funds for children's charities. Four of our 'golf ambassadors,' who are committed to several humanitarian and social causes, were ranked among the top 10 players in 2015. We also provide sponsorship for events with broad public appeal such as ice hockey and 'Opera for All' in Switzerland, and the Barcelona marathon in Spain.



**Above** Our brand campaigns include those tailored to businesses, based on our central theme: 'For those who truly love.'

## Living up to the Zurich Commitment

Corporate responsibility is an important part of our Zurich Commitment to care for our customers, employees, shareholders and the communities in which we live and work. We act responsibly by taking environmental, social and governance issues into account throughout our business.

### Zurich reaches new high in sustainability index

Zurich is a member of the Dow Jones Sustainability World and Europe indices. Companies in these indices are evaluated based on a range of financially relevant sustainability criteria covering economic, environmental and social dimensions. In 2015, Zurich achieved its highest score since joining the DJSI of 83 and outperformed 99 percent of other companies in the insurance industry group.

### Investing responsibly

Responsible investment means managing our portfolio of USD 191 billion in assets to create sustainable value. We believe environmental, social and governance (ESG) factors can affect risk and return; integrating these into our investment approach will help us to succeed on a long-term basis. With this in mind, in 2015 we trained over 200 people in our team worldwide, as well as external asset managers, in Zurich's approach to ESG in investment decisions. To better incorporate ESG factors in our overall approach, we are also updating our proxy voting strategy to take a more active role as a shareholder in companies in which we invest.

### Investing for positive impact

Our impact investing portfolio topped USD 1 billion for the first time in 2015, an increase of 54 percent from 2014. This included USD 870 million invested in 'green' bonds that finance renewable energy or similar projects; we have committed to invest, in total, up to USD 2 billion in these instruments. We also have committed USD 105 million to impact private equity funds, as part of our plan to allocate up to 10 percent of our private equity investments to such funds. In addition, we have increased our investment in 'sustainability bonds' to USD 55 million. These bonds provide funding for projects that benefit social welfare.

### Sustainable real estate investments

We believe there is a clear business case for including ESG factors in our real estate investment decisions. Real estate consumes a significant amount of energy and resources, and is a major source of carbon emissions. In 2015, we extended our ESG integration approach to real estate assets, which represent over six percent of our investment portfolio. We will begin to implement this program in 2016. In addition, our goal is to reduce greenhouse gas emissions in Swiss real estate, which comprises over half of our portfolio, by 20 percent by 2020. By 2050, we aim to cut greenhouse gas emissions by 80 percent (both targets versus 2010 levels).

### Addressing the challenges of floods

Floods affect more people globally than any other type of natural hazard. Although worldwide, the greatest portion of resources go to short-term disaster response, it is far more cost-effective to take a long-term approach. That is why we launched a global program to enhance flood resilience in 2013.

As part of this program, we set up the Zurich flood resilience alliance, whose members include the International Federation of Red Cross and Red Crescent Societies (IFRC). We are working with the IFRC to establish flood programs in 21 communities in the state of Tabasco, Mexico. We are also working with the Indonesian Red Cross (PMI) to help 21 communities in West and Central Java develop solutions to recurring flooding. Along with another alliance member, Practical Action, similar programs are underway in 74 communities in Nepal, 15 communities in Peru, and 15 communities in Bangladesh, where access to efficient early warning systems, alternative livelihoods and strengthened collaboration with local decision makers are key to enhancing resilience.

### Using a 'PERC' approach to reduce risk

Together with two other members of our alliance, the International Institute for Applied Systems Analysis (IIASA) and the Wharton Business School's Risk Management and Decision Processes Center (Wharton), we have developed processes and tools that can be applied to increase flood resilience at the community level, including a flood resilience measurement framework.



### Tackling underlying issues

Floods affect more people globally than any other natural hazard. We need to find long-term solutions to make a real difference.

Our flood resilience alliance seeks to mitigate risks not just today, but in the years ahead, especially in fast-growing economies where increasing populations and rising prosperity put more lives, homes and infrastructure at risk. We also work closely with the other members of our flood resilience alliance directly in these communities, including in Mexico and Indonesia.

Our 'post-event review capability' or 'PERC' methodology also aims to address flood risks through in-depth studies of past flood events. In 2015, together with the Institute for Social and Environmental Transition (ISET), we published a PERC study about the deadly floods in Nepal in August 2014. Also, in conjunction with non-governmental organization Targa-AIDE, we published a similar study about devastating floods in Morocco in November 2014.

### The Water Window

In line with our approach, in August 2015 we also announced that we are investing USD 10 million in a grant-based competition called the Water Window, an initiative led by the international Global Resilience Partnership. The Water Window aims to identify, encourage and scale up local innovations to address challenges related to water, including floods. Zurich is the first private-sector member of the Partnership.

### Corporate responsibility

Learn more about our corporate responsibility initiatives:

[www.zurich.com/corporate-responsibility](http://www.zurich.com/corporate-responsibility)

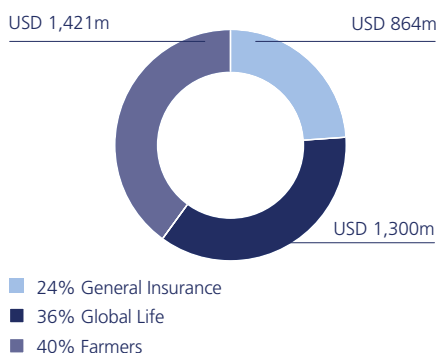
# Performance overview

**The Group was affected by lower profit in General Insurance. Global Life achieved a strong result. Farmers continued its positive momentum, though Farmers Re faced underwriting losses.**

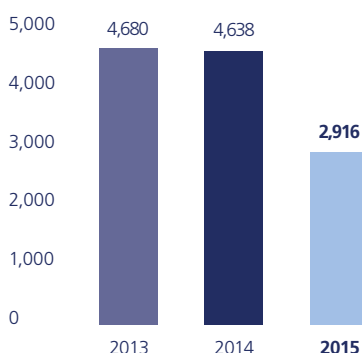
## Financial highlights (unaudited)

in USD millions, for the years ended December 31, unless otherwise stated	2015	2014	Change in USD <sup>1</sup>
Business operating profit (BOP)	<b>2,916</b>	4,638	(37%)
Net income attributable to shareholders (NIAS)	<b>1,842</b>	3,949	(53%)
Total Group business volumes <sup>2</sup>	<b>67,988</b>	74,434	(9%)
Net investment return on Group investments <sup>3</sup>	<b>3.8%</b>	4.5%	(0.7 pts)
Total return on Group investments <sup>3</sup>	<b>1.7%</b>	8.6%	(6.9 pts)
Shareholders' equity <sup>4</sup>	<b>31,178</b>	34,735	(10%)
Diluted earnings per share (in CHF)	<b>11.86</b>	24.17	(51%)
Book value per share (in CHF) <sup>4</sup>	<b>209.27</b>	232.65	(10%)
Return on common shareholders' equity (ROE) <sup>5</sup>	<b>6.4%</b>	13.0%	(6.6 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) <sup>5</sup>	<b>6.4%</b>	11.2%	(4.7 pts)

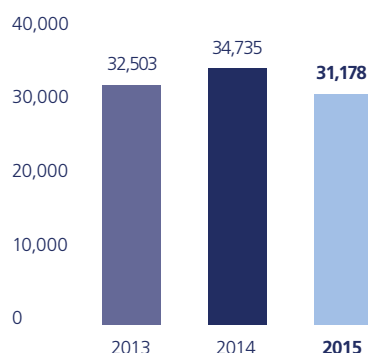
### 2015 Business operating profit by business segment<sup>6</sup>



### Business operating profit<sup>7</sup> (in USD millions)



### Shareholders' equity (in USD millions)



<sup>1</sup> Parentheses around numbers represent an adverse variance.

<sup>2</sup> Total Group business volumes comprises gross written premiums, policy fees, insurance deposits and management fees generated within General Insurance, Global Life and Farmers.

<sup>3</sup> Calculated on average Group investments.

<sup>4</sup> As of December 31, 2015 and December 31, 2014, respectively.

<sup>5</sup> Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges.

<sup>6</sup> All amounts are shown in U.S. dollars and rounded to the nearest million unless otherwise stated, with the consequence that the rounded percentages may not add to 100 percent in all cases.

<sup>7</sup> All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

<sup>8</sup> Includes Other Operating Businesses and Non-Core Businesses.

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USD 2.9bn

Business operating profit  
(2014: USD 4.6 bn)

USD 1.8bn

Net income attributable  
to shareholders  
(2014: USD 3.9 bn)

1.7%

Total return on Group investments  
(2014: 8.6%)

USD 31.2bn

Shareholders' equity  
(2014: USD 34.7 bn)

**In 2015, the Group delivered an overall business operating profit (BOP) of USD 2.9 billion, a decrease of USD 1.7 billion or 37 percent. Lower profit from core businesses was partly offset by lower Group borrowing costs, currency exchange gains and a positive contribution from Non-Core businesses.**

General Insurance was affected by a substantial increase in the costs of large and catastrophe losses, particularly in the second half of the year. Global Life achieved a strong result, while maintaining its focus on priority markets and extracting value from in-force business. Farmers continued its positive momentum from premium growth, though Farmers Re incurred higher losses.

Net income attributable to shareholders decreased by USD 2.1 billion, or 53 percent, to USD 1.8 billion, primarily due to the decrease in business operating profit and lower net gains on investments.

The net investment result on Group investments, before allocations to policyholders, decreased by USD 1.8 billion, or 19 percent, to USD 7.5 billion, and represents a net investment return on average Group investments of 3.8 percent compared with 4.5 percent in 2014.

Solvency measured on an economic basis as determined under the Swiss Solvency Test (SST) was 203 percent as of July 1, 2015, an increase of 7 percentage points from January 1, 2015. Shareholders' equity decreased by USD 3.6 billion, or 10 percent, to USD 31.2 billion. This decrease resulted from the cost of the dividend paid in April 2015, unrealized losses on investments and negative currency translation adjustments.

Business volumes for the core business segments of USD 68.0 billion, comprising gross written premiums, policy fees, insurance deposits and management fees,

decreased by USD 6.4 billion, 9 percent in U.S. dollars, but increased by 2 percent on a local currency basis.

Return on equity (ROE) decreased by 6.6 percentage points to 6.4 percent. Business operating profit after-tax ROE (BOPAT ROE) fell by 4.7 percentage points to 6.4 percent. Diluted earnings per share in Swiss francs decreased by 51 percent to CHF 11.86 from CHF 24.17.

### General Insurance

General Insurance business operating profit decreased by USD 2.1 billion, or 71 percent, to USD 864 million. The net underwriting result declined by USD 1.9 billion to a loss of USD 1.0 billion. The loss ratio increased by 5.5 percentage points, reflecting higher large losses in Global Corporate and certain European countries, the explosion in the port of Tianjin, China, and higher natural catastrophe losses resulting from severe flooding in the UK and Ireland. The expense ratio increased by 1.2 percentage points. It was negatively affected by the costs of growth initiatives, the impact of positive non-recurring items in 2014, and higher commissions due to changes in product and geographic mix.

General Insurance gross written premiums and policy fees decreased by USD 2.3 billion or 6 percent to USD 34.0 billion in U.S. dollar terms, but increased by 3 percent on a local currency basis.

### Global Life

Global Life business operating profit increased by USD 27 million to USD 1.3 billion, an increase of 2 percent in U.S. dollar terms and 16 percent on a local currency basis. In local currencies, business operating profit improved in all regions. The weakening of Latin American and European currencies against the U.S. dollar had a significant impact on reported results translated into U.S. dollars. On a local currency basis, an ongoing focus on fee-based and protection business resulted in increases in loadings and fees and the technical margin.

### Our performance



#### More information

For comprehensive information please see the Annual Report 2015, available at [www.zurich.com](http://www.zurich.com). It contains details about Zurich's financial performance, structure, executive bodies, risk management, corporate governance and remuneration.

Global Life gross written premiums, policy fees and insurance deposits decreased by USD 2.8 billion to USD 29.0 billion, or by 9 percent in U.S. dollar terms, but increased by 6 percent on a local currency basis. The increase expressed in local currencies occurred mainly in Europe, Middle East & Africa (EMEA), driven by growth in the individual savings business in some continental European countries.

#### Farmers

Farmers business operating profit decreased by USD 152 million, or by 10 percent, to USD 1.4 billion. This was due mainly to a decrease in business operating profit by USD 129 million to USD 61 million at Farmers Re related to underwriting losses and lower net investment income due to reduced participation in reinsurance agreements with the Farmers Exchanges. Farmers Management Services business operating profit decreased by USD 23 million to 1.4 billion, with the gross management result at the same level as in 2014, while other income declined.

Farmers Management Services management fees and other related revenues remained broadly flat at USD 2.8 billion. Farmers Re gross written premiums and policy fees decreased by USD 1.3 billion to USD 2.1 billion, or by 37 percent, as a result of lower participation in reinsurance agreements with the Farmers Exchanges.

Other Operating Businesses reported a business operating loss of USD 720 million compared with a loss of USD 960 million, mainly reflecting lower interest expense on debt, favorable foreign exchange impacts, and several one-off items in both 2015 and 2014.

Non-Core Businesses reported a business operating profit of USD 51 million compared with a loss of USD 227 million. The improvement reflected the impact of lower adverse development of reserves established in prior years and lower loan losses compared with 2014, and from release of long-term reserves due to a buy-back program for a variable annuity product.



## Performance overview

### Consolidated income statements (unaudited)

in USD millions, for the years ended December 31	2015	Restated 2014
<b>Revenues</b>		
Gross written premiums	48,490	52,069
Policy fees	2,508	2,712
Gross written premiums and policy fees	50,998	54,781
Less premiums ceded to reinsurers <sup>1</sup>	(8,078)	(6,101)
Net written premiums and policy fees	42,920	48,680
Net change in reserves for unearned premiums	(296)	(359)
Net earned premiums and policy fees	42,624	48,321
Farmers management fees and other related revenues	2,786	2,791
Net investment result on Group investments	7,462	9,211
Net investment income on Group investments	5,572	6,206
Net capital gains/(losses) and impairments on Group investments	1,891	3,004
Net investment result on unit-linked investments	6,238	10,784
Net gain/(loss) on divestments of businesses	10	(259)
Other income	1,448	1,723
<b>Total revenues</b>	<b>60,568</b>	<b>72,571</b>
<b>Benefits, losses and expenses</b>		
Insurance benefits and losses, gross of reinsurance	36,076	37,452
Less ceded insurance benefits and losses <sup>1</sup>	(5,330)	(3,088)
Insurance benefits and losses, net of reinsurance	30,746	34,364
Policyholder dividends and participation in profits, net of reinsurance	7,863	12,568
Underwriting and policy acquisition costs, net of reinsurance	9,061	9,835
Administrative and other operating expense	8,659	8,858
Interest expense on debt	431	525
Interest credited to policyholders and other interest	467	523
<b>Total benefits, losses and expenses</b>	<b>57,227</b>	<b>66,672</b>
<b>Net income before income taxes</b>	<b>3,340</b>	<b>5,898</b>
Income tax (expense)/benefit	(1,294)	(1,670)
attributable to policyholders	(110)	(106)
attributable to shareholders	(1,183)	(1,564)
<b>Net income after taxes</b>	<b>2,047</b>	<b>4,228</b>
attributable to non-controlling interests	205	280
attributable to shareholders	1,842	3,949
in USD		
Basic earnings per share	12.36	26.68
Diluted earnings per share	12.33	26.44
in CHF		
Basic earnings per share	11.89	24.39
Diluted earnings per share	11.86	24.17

<sup>1</sup> The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015 and an additional tranche as of October 1, 2015. The combined initial impact of these transactions was an increase of USD 1.8 billion in premiums ceded to reinsurers and an increase of USD 1.8 billion in ceded insurance benefits and losses in the Global Life business.

Business operating profit by business segment (unaudited)

in USD millions, for the years ended December 31	General Insurance		Global Life		Farmers	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Direct written premiums <sup>1</sup>	32,274	34,351	12,033	12,001	–	–
Assumed written premiums	1,746	1,981	186	184	2,145	3,428
Gross Written Premiums	34,020	36,333	12,220	12,185	2,145	3,428
Policy fees	–	–	2,227	2,409	–	–
Gross written premiums and policy fees	34,020	36,333	14,446	14,594	2,145	3,428
Less premiums ceded to reinsurers <sup>2</sup>	(5,634)	(5,473)	(2,489)	(675)	–	–
Net written premiums and policy fees	28,386	30,859	11,957	13,919	2,145	3,428
Net change in reserves for unearned premiums	(335)	(837)	(82)	(53)	120	528
Net earned premiums and policy fees	28,051	30,023	11,876	13,866	2,266	3,956
Farmers management fees and other related revenues	–	–	–	–	2,786	2,791
Net investment result on Group investments	2,002	2,239	4,415	4,988	49	68
Net investment income on Group investments	2,002	2,149	3,320	3,815	49	68
Net capital gains/(losses) and impairments on Group investments	–	89	1,095	1,173	–	–
Net investment result on unit-linked investments	–	–	6,168	10,457	–	–
Other income	836	799	1,039	1,207	56	99
<b>Total BOP revenues</b>	<b>30,889</b>	<b>33,060</b>	<b>23,498</b>	<b>30,519</b>	<b>5,156</b>	<b>6,914</b>
<i>of which: inter-segment revenues</i>	<i>(527)</i>	<i>(356)</i>	<i>(316)</i>	<i>(450)</i>	<i>(16)</i>	<i>(30)</i>
<b>Benefits, losses and expenses</b>						
Insurance benefits and losses, net <sup>1,2</sup>	20,152	19,920	8,612	10,685	1,588	2,650
Losses and loss adjustment expenses, net	20,157	19,923	–	–	1,588	2,650
Life insurance death and other benefits, net <sup>1</sup>	(4)	(3)	8,612	10,684	–	–
Policyholder dividends and participation in profits, net	3	6	7,706	12,097	–	–
Income tax expense/(benefit) attributable to policyholders	–	–	110	106	–	–
Underwriting and policy acquisition costs, net	5,907	5,946	2,454	2,654	703	1,240
Administrative and other operating expense (excl. depreciation/amortization)	3,636	3,758	2,463	2,711	1,340	1,315
Interest credited to policyholders and other interest	112	61	445	400	–	–
Restructuring provisions and other items not included in BOP	(372)	(119)	(435)	(174)	(14)	3
<b>Total BOP benefits, losses and expenses (before interest, depreciation and amortization)</b>	<b>29,437</b>	<b>29,572</b>	<b>21,355</b>	<b>28,478</b>	<b>3,618</b>	<b>5,208</b>
<b>Business operating profit (before interest, depreciation and amortization)</b>						
	<b>1,452</b>	<b>3,489</b>	<b>2,143</b>	<b>2,042</b>	<b>1,538</b>	<b>1,706</b>
Depreciation and impairments of property and equipment	127	87	28	33	36	46
Amortization and impairments of intangible assets	252	213	578	452	81	86
Interest expense on debt	101	115	14	46	–	–
Business operating profit before non-controlling interests	972	3,073	1,523	1,512	1,421	1,573
Non-controlling interests	108	95	223	239	–	–
<b>Business operating profit</b>	<b>864</b>	<b>2,979</b>	<b>1,300</b>	<b>1,273</b>	<b>1,421</b>	<b>1,573</b>

<sup>1</sup> Global Life included approximately USD 2,701 million and USD 1,551 million of gross written premiums and future life policyholder benefits for certain universal life-type contracts in the Group's Spanish operations for the years ended December 31, 2015 and 2014, respectively (see note 3 of the Consolidated financial statements).

<sup>2</sup> The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015 and an additional tranche as of October 1, 2015. The combined initial impact of this transaction was an increase of USD 1.8 billion in premiums ceded to reinsurers and an increase of USD 1.8 billion in ceded insurance benefits and losses in the Global Life business. The gain resulting from this transaction of approximately USD 105 million will be recognized on a linear basis over the lifetime of the reinsurance contract, which is expected to end on June 30, 2016.

## Performance overview

Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
2015	2014	2015	2014	2015	2014	2015	2014
–	–	67	95	–	–	44,374	46,448
47	45	90	92	(98)	(110)	4,116	5,621
47	45	156	188	(98)	(110)	48,490	52,069
–	–	281	303	–	–	2,508	2,712
47	45	437	491	(98)	(110)	50,998	54,781
(41)	(47)	(11)	(16)	98	110	(8,078)	(6,101)
6	(2)	426	475	–	–	42,920	48,680
–	–	–	3	–	–	(296)	(359)
6	(2)	426	478	–	–	42,624	48,321
–	–	–	–	–	–	2,786	2,791
300	387	236	762	(427)	(628)	6,576	7,816
300	387	328	415	(427)	(628)	5,572	6,206
–	–	(91)	347	–	–	1,004	1,610
–	–	70	327	–	–	6,238	10,784
1,104	847	98	47	(1,685)	(1,276)	1,448	1,723
1,411	1,233	830	1,613	(2,112)	(1,904)	59,671	71,435
(1,222)	(1,022)	(33)	(46)	2,112	1,904		
–	(7)	394	1,116	–	–	30,746	34,364
–	(1)	118	299	–	–	21,862	22,871
–	(6)	276	817	–	–	8,884	11,492
–	–	154	465	–	–	7,863	12,568
–	–	–	–	–	–	110	106
–	–	7	6	(10)	(10)	9,061	9,835
1,225	1,144	137	115	(1,342)	(1,198)	7,458	7,845
136	3	89	126	(315)	(68)	467	523
(75)	(13)	(10)	–	–	–	(906)	(303)
1,286	1,128	770	1,828	(1,668)	(1,275)	54,799	64,938
<b>125</b>	<b>105</b>	<b>60</b>	<b>(215)</b>	<b>(445)</b>	<b>(629)</b>	<b>4,872</b>	<b>6,497</b>
7	7	–	–	–	–	198	173
92	89	–	–	–	–	1,004	840
751	982	9	11	(445)	(629)	431	525
(726)	(973)	51	(226)	–	–	3,240	4,959
(7)	(13)	–	1	–	–	324	322
<b>(720)</b>	<b>(960)</b>	<b>51</b>	<b>(227)</b>	<b>–</b>	<b>–</b>	<b>2,916</b>	<b>4,638</b>

Consolidated balance sheets (unaudited)

Assets

in USD millions, as of	12/31/15	Restated 12/31/14	01/01/14
<b>Investments</b>			
Total Group investments	191,238	204,860	207,280
Cash and cash equivalents	8,159	7,600	7,181
Equity securities	18,873	16,099	13,183
Debt securities	137,730	153,648	156,456
Investment property	9,865	8,784	8,745
Mortgage loans	7,024	7,826	9,798
Other loans	9,569	10,834	11,789
Investments in associates and joint ventures	18	70	129
Investments for unit-linked contracts	126,728	134,416	134,267
<b>Total investments<sup>1</sup></b>	<b>317,966</b>	<b>339,276</b>	<b>341,547</b>
Reinsurers' share of reserves for insurance contracts <sup>1</sup>	17,774	16,550	17,978
Deposits made under assumed reinsurance contracts	1,708	2,203	2,645
Deferred policy acquisition costs	17,677	17,750	18,724
Deferred origination costs	506	595	724
Accrued investment income <sup>2</sup>	1,727	1,912	2,321
Receivables and other assets	14,930	16,946	18,499
Deferred tax assets	1,455	1,561	2,020
Assets held for sale <sup>3</sup>	10	48	223
Property and equipment	1,140	1,273	1,494
Attorney-in-fact contracts	1,025	1,025	1,025
Goodwill	1,289	1,661	1,852
Other intangible assets	4,766	5,729	6,003
<b>Total assets</b>	<b>381,972</b>	<b>406,529</b>	<b>415,053</b>

<sup>1</sup> The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015 and an additional tranche as of October 1, 2015. The combined initial impact of these transactions was a decrease of USD 1.7 billion in total investments and an increase of USD 1.8 billion in Reinsurers' share of reserves for insurance contracts in the Global Life business.

<sup>2</sup> Accrued investment income on unit-linked investments amounted to USD 106 million and USD 133 million as of December 31, 2015 and 2014, respectively.

<sup>3</sup> December 31, 2015 included land and buildings previously classified as investment property amounting to USD 10 million. December 31, 2014 included land and buildings formerly classified as investment property amounting to USD 48 million.

Liabilities and equity

in USD millions, as of	12/31/15	Restated 12/31/14	01/01/14
<b>Liabilities</b>			
Reserve for premium refunds	537	606	571
Liabilities for investment contracts	70,627	70,813	67,113
Deposits received under ceded reinsurance contracts	903	1,022	1,245
Deferred front-end fees	5,299	5,539	5,791
Reserves for insurance contracts	237,622	253,719	265,440
Obligations to repurchase securities	1,596	1,451	1,685
Accrued liabilities	2,849	3,065	3,023
Other liabilities	15,051	17,230	17,904
Deferred tax liabilities	4,498	5,020	5,110
Liabilities held for sale	–	–	49
Senior debt	4,471	5,379	6,044
Subordinated debt	5,614	5,857	6,342
<b>Total liabilities</b>	<b>349,069</b>	<b>369,700</b>	<b>380,319</b>
<b>Equity</b>			
Share capital	11	11	11
Additional paid-in capital	3,245	4,843	6,395
Net unrealized gains/(losses) on available-for-sale investments	2,556	4,068	1,730
Cash flow hedges	294	306	106
Cumulative foreign currency translation adjustment	(9,347)	(6,313)	(4,008)
Revaluation reserve	228	218	195
Retained earnings	34,192	31,602	28,075
Shareholders' equity	31,178	34,735	32,503
Non-controlling interests	1,725	2,095	2,231
<b>Total equity</b>	<b>32,904</b>	<b>36,830</b>	<b>34,734</b>
<b>Total liabilities and equity</b>	<b>381,972</b>	<b>406,529</b>	<b>415,053</b>

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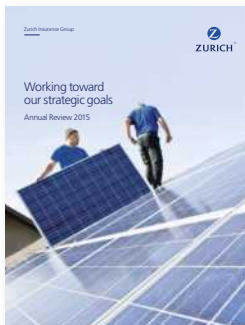
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### American Depositary Receipts (ADR)

Zurich Insurance Group Ltd has an ADR program with The Bank of New York Mellon. For information relating to an ADR account, please contact BNY Mellon Shareowner Services, P.O. Box 30170, College Station, TX 77842-3170  
Telephone: +1 888-269-2377 (toll-free number in the U.S.)  
Telephone: +1 201 680 6825 (international)  
Website: [www.mybnymdr.com](http://www.mybnymdr.com)  
Email:  
[shrrelations@cpushareownerservices.com](mailto:shrrelations@cpushareownerservices.com)  
General information on the company's ADR program can be obtained from The Bank of New York Mellon at [www.adrbnymellon.com](http://www.adrbnymellon.com)



### Annual Review 2015

The Annual Review provides an overview of Zurich's business and strategy, and its financial and operating performance in 2015. It is available in English and German.



### Annual Report 2015

The Annual Report contains detailed information about Zurich's financial performance, structure, executive bodies, risk management, corporate governance and remuneration in 2015. It is available in English and German, with the financial statements in English only.



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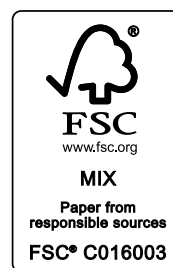
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